

## **Thames Water Investments Limited**

Annual report and financial statements  
For the year ended 31 March 2019



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## Directors and advisors

### Directors

D Hughes  
T Lewis

### Independent auditors

PricewaterhouseCoopers LLP  
3 Forbury Place  
Forbury Road  
Reading  
RG1 3JH

### Company Secretary and registered office

D Hughes  
S Billett  
Clearwater Court  
Vastern Road  
Reading  
Berkshire  
RG1 8DB

## Strategic Report

The Directors presents their Strategic Report for Thames Water Investments Limited ("the Company") for the year ended 31 March 2019.

### Business review

The principal activity of the Company is to acquire non-specialised operational property from Thames Water Utilities Limited ("TWUL") to lease to third parties and other companies within the Kemble Water Holdings Limited group of companies ("the Group") and to hold for the generation of non-regulated rental income. This remains unchanged from the prior year.

### Key performance indicators

The Directors have determined that the result before tax and the net assets or liabilities are the most appropriate key performance indicators for an understanding of the development, performance and position of the Company. For the year ended 31 March 2019 the Company made a profit before tax of £228,517 (2018: £220,622). The increase in year on year profit before tax is in line with expectations as the LIBOR rate has increased in the year leading to an increase in interest income offset by fewer income rights sales during the current year. Where revenue is generated from income rights sales 50% of the revenue is clawed back by Thames Water Utilities Limited, this is recognised as an expense within administrative expenses.

As at 31 March 2019 the Company had net assets of £19,774,153 (2018: £19,592,883). The Directors have reviewed the recoverability of loans and determined that no provisions (2018: £nil) are required to appropriately reflect the recoverable values.

This performance is in line with expectations and the Directors have no concerns regarding the performance or position of the Company.

### 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.

(ii) 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. The treasury policies and procedures are incorporated within the financial control procedures of the Group.

(iii) Reliance on one main customer

The Company's revenue source is generated from a single customer Watersite. Watersite provide the Company with two revenue streams; income from an annual license fee and income from the income rights sales. There is a signed agreement with Watersite which runs for 50 years and given the length of this agreement and the credit control policies and procedures in place the Directors are satisfied that this does not present a significant risk to the future income of the Company.

## Strategic Report (continued)

### Principal risks and uncertainties (continued)

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 consolidated financial statements of the ultimate controlling parent Kemble Water Holdings 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 12 on page 22.

### Future outlook

The Company continues to review and acquire further non-specialised operational property from Thames Water Utilities Limited to lease to third parties and other companies within the Group and to hold for the generation of non-regulated rental income.

This Strategic Report was approved by the Board on 27 June 2019 and signed on its behalf by:



**Tonia Lewis**  
Director  
Clearwater Court  
Vastern Road  
Reading  
Berkshire  
RG1 8DB

## Directors' report

The Directors presents their annual report and the audited financial statements of Thames Water Investments Limited for the year ended 31 March 2019. The Directors consider 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).

### Directors

The Directors who held office during the year ended 31 March 2019 and to the date of this report were:

D Hughes  
T Lewis (appointed 1 April 2018)

During the year under review, the Directors did not have significant contracts with the Company or any other body corporate other than their contracts of service (2018: none).

### Future outlook

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

### Dividends

The Company paid no dividends during the year (2018: £nil). The Directors do not recommend the payment of a final dividend (2018: £nil).

### Financial risk management

During the period, the Company has had 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.

The Company's operations expose it to a variety of financial risks which are described in the Strategic Report on pages 3 and 4.

### 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 Company's 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.

### Research and development

The Company undertakes no research and development activity, this remains unchanged from the prior year.

### Political and charitable donations

No political or charitable donations were made by the Company during the year (2018: £nil).

## Directors' report (continued)

### Disclosure of information to the auditors

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are 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.

### Independent Auditors

PricewaterhouseCoopers LLP have replaced KPMG LLP as auditors for the year ended 31 March 2019.

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

Approved by the Board of Directors on 27 June 2019 and signed on its behalf by:



**Tonia Lewis**  
Director  
Clearwater Court  
Vastern Road  
Reading  
Berkshire  
RG1 8DB

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

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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.



**Tonia Lewis**  
Director  
Clearwater Court  
Vastern Road  
Reading  
Berkshire  
RG1 8DB



# **Independent auditors' report to the members of Thames Water Investments Limited**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion, Thames Water Investments Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the annual report and Financial Statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 March 2019; the Income statement, the Statement of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

# **Independent auditors' report to the members of Thames Water Investments Limited (continued)**

## **Reporting on other information (continued)**

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

## **Responsibilities for the financial statements and the audit**

### *Responsibilities of the Directors for the financial statements*

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## **Independent auditors' report to the members of Thames Water Investments Limited (continued)**

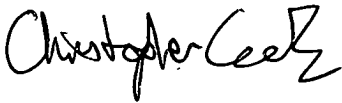
### **Other required reporting**

#### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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
- certain disclosures of Directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



**Christopher Cook (Senior Statutory Auditor)**  
**for and on behalf of PricewaterhouseCoopers LLP**  
**Chartered Accountants and Statutory Auditors**  
Reading

27 June 2019

## Income statement

For the year ended 31 March

	Note	2019 £	2018 £
Revenue	1	91,298	188,017
Administrative expenses	2	(68,475)	(116,191)
<b>Operating profit</b>		<b>22,823</b>	<b>71,826</b>
Finance income	4	205,694	148,796
<b>Profit before income tax</b>		<b>228,517</b>	<b>220,622</b>
Income tax expense	5	(47,247)	(54,911)
<b>Profit for the year</b>		<b>181,270</b>	<b>165,711</b>

All amounts relate to continuing operations.

The accounting policies and notes on pages 14 to 22 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	2019 £	2018 £
<b>Non-current assets</b>			
Deferred tax	6	20,390	24,866
Trade and other receivables	7	18,790,311	18,584,617
		<b>18,810,701</b>	<b>18,609,483</b>
<b>Current assets</b>			
Trade and other receivables	7	4,529	-
Cash and cash equivalents		1,923,694	2,034,136
		<b>1,928,223</b>	<b>2,034,136</b>
<b>Trade and other payables – amounts falling due within one year</b>	8	<b>(42,771)</b>	<b>(128,736)</b>
<b>Net current assets</b>		<b>1,885,452</b>	<b>1,905,400</b>
<b>Total assets less current liabilities</b>		<b>20,696,153</b>	<b>20,514,883</b>
Trade and other payables – amounts falling due after more than one year	8	(922,000)	(922,000)
<b>Net assets</b>		<b>19,774,153</b>	<b>19,592,883</b>
<b>Equity</b>			
Called up share capital	9	100	100
Retained earnings		19,774,053	19,592,783
<b>Total shareholders' funds</b>		<b>19,774,153</b>	<b>19,592,883</b>

The accounting policies and notes on pages 14 to 22 are an integral part of these financial statements.

The financial statements were approved by the Board on 27 June 2019 and signed on its behalf by:



**Tonia Lewis**  
Director

Registered number: 02567126 (England & Wales)

## Statement of changes in equity

For the year ended 31 March 2019

	Called up share capital £	Retained earnings £	Total shareholders' funds £
<b>At 1 April 2017</b>	100	19,427,072	<b>19,427,172</b>
Profit for the year	-	165,711	<b>165,711</b>
<b>At 31 March 2018</b>	100	19,592,783	<b>19,592,883</b>
Profit for the year	-	181,270	<b>181,270</b>
<b>At 31 March 2019</b>	100	19,774,053	<b>19,774,153</b>

The accounting policies and notes on pages 14 to 22 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, unless otherwise stated:

### General information

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

The principal activity of the Company is to acquire non-specialised operational property from Thames Water Utilities Limited (“TWUL”) to lease to third parties and other companies within the Kemble Water Holdings Limited group of companies (“the Group”) and to hold for the generation of non-regulated rental income. This remains unchanged from the prior 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.

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

- 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)
  - 16 (statement of compliance with all IFRS)
  - 38B-D (additional comparative information),
  - 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.

## Accounting policies (continued)

### Basis of Preparation (continued)

The Company's ultimate parent undertaking, Kemble Water Holdings Limited ("KWH") includes the Company in its consolidated financial statements. The address of the registered office of KWH is Clearwater Court, Vastern Road, Reading, Berkshire, RG1 8DB. The consolidated financial statements of KWH are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU adopted IFRSs") and are available to the public and may be obtained from The Company Secretary's Office at this address.

### 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 Company's 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.

### New standards and amendments

IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers are new accounting standards that are effective for the year ended 31 March 2019.

#### *IFRS 9 impact assessment*

IFRS 9: Financial Instruments has been endorsed by the European Union (EU), was effective from the 1 January 2018 (and thus 1 April 2018 to the Company). This standard replaces IAS 39 Financial Instruments: Recognition and Measurement and sets out the requirements for classifying, recognising and measuring financial assets and financial liabilities. Management has concluded that there is no material impact on adoption of this standard for the Company.

#### *IFRS 15 impact assessment*

IFRS 15: Revenue from Contracts with Customers has been endorsed by the European Union (EU), was effective from 1 January 2018, and replaces a number of standards and interpretations including IAS 18 Revenue. Management has concluded that IFRS 15 does not have a material impact on the Company.

### Future standards and amendments

IFRS 16: Leases is a new accounting standard which will be effective from 1 April 2019. The Company does not have any material leases and does not intend to enter into any contracts for leases in the future. As a result, this standard is expected to not have a material impact on the Company.

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable from the annual licence fee received from Watersite and from income rights sales, net of valued added taxes. The company recognises revenue when performance obligations have been satisfied and for company this is when for the income rights, the right of use of the assets have transferred to the customer and the customer has control of these. For the license income the performance obligation is satisfied over time as the Company provides site access and contract management services. Where revenue is generated from income rights sales 50% of the revenue is clawed back by Thames Water Utilities Limited, this is recognised as an expense within administrative expenses.

### Interest income

Interest income is recognised using the effective interest method.

### 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, and trade and other payables.



## Accounting policies (continued)

### Trade and other receivables

Trade and other receivables are largely comprised of amounts owed by group undertakings and interest on amounts owed by group undertakings. 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 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.

### 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.

### Impairment of amounts owed by group undertakings

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. There is an annual impairment review for intercompany receivables which assesses the ability of the entity to pay them based on their net assets position.

### 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.

## Accounting policies (continued)

### 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.

## Critical accounting estimates and judgements

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.

### Critical accounting estimates and assumptions

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:

#### *Impairment of receivables, including intercompany loan 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. See note 7 for the net carrying value of the receivables and, where applicable, any associated impairment provision.

### Critical judgements in applying the entity's accounting policies

Management have not made any critical judgements in applying the entity's accounting policies.

## Notes to the financial statements

### 1. Revenue

	2019 £	2018 £
Annual license fee income	45,745	44,257
Income rights sales	45,553	143,760
Total	91,298	188,017

Revenue is made up of:

- An annual license fee received from Watersite to recoup maintenance charge for property management fees and this is accounted for under IFRS 15 and as at 31 March 2019 there were no contract assets or liabilities recognised in relation to this revenue stream (2018: none).
- Income rights sales, this income is subject to 50% claw back due to Thames Water Utilities Limited, this is recognised as an expense and shown in note 2. This revenue stream is accounted for under IFRS 15 and as at 31 March 2019 there were no contract assets or liabilities recognised in relation to this revenue stream (2018: none).

The Company has applied the practical expedient given in paragraph 121(b) of IFRS 15, not to disclose this amount in relation to the annual license fee income.

### 2. Administrative expenses

	2019 £	2018 £
Income rights sales clawback due to Thames Water Utilities Limited	22,776	71,879
Property management fees	45,699	44,312
Total	68,475	116,191

The auditors', PricewaterhouseCoopers LLP, remuneration was borne by Thames Water Limited in both the current and preceding financial year. The total amount payable relating to the Company was £8,000 (2018: £8,704 – KPMG LLP). No other fees were payable to PricewaterhouseCoopers LLP in respect of this Company during the year (2018: £nil).

### 3. Employees and Directors

#### Employees

The Company had no employees during the year (2018: none).

#### Directors

No emoluments were paid to the Directors of the Company (2018: £nil) and there were no retirement benefits accruing in either year.

### 4. Finance income

	2019 £	2018 £
Interest income on amounts owed by group undertakings	205,694	148,796
Total	205,694	148,796

Interest income on amounts owed by group undertakings relates to a loan to Kemble Water Finance Limited which has been charged at an average rate of six month LIBOR (sterling) plus 0.5% (2018: six month LIBOR (sterling) plus 0.5%).

## Notes to the financial statements (continued)

### 5. Tax on profit

	2019 £	2018 £
<i>Current tax:</i>		
Amounts payable in respect of group relief	42,771	49,453
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	4,476	5,458
<b>Tax on profit</b>	<b>47,247</b>	<b>54,911</b>

The tax charge for the year ended 31 March 2019 is higher (2018: higher) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before taxation	228,517	220,622
Current tax at 19% (2018: 19%)	43,418	41,918
<i>Effects of:</i>		
Expenses not deductible for tax purposes	4,357	13,657
Adjustment in respect of corporation tax rate changes	(528)	(642)
Adjustment in respect of prior period	-	(22)
<b>Total tax charge</b>	<b>47,247</b>	<b>54,911</b>

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted in 2016. This will reduce the company's future current tax charge accordingly.

The deferred tax asset of £20,390 (£2018: £24,866) at 31 March 2019 has been calculated based on these rates.

### 6. Deferred tax

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

	2019 £	2018 £
<i>Deferred tax:</i>		
Asset at 1 April	24,866	30,324
Movement in the year	(4,476)	(5,458)
<b>Total</b>	<b>20,390</b>	<b>24,866</b>

## Notes to the financial statements (continued)

### 7. Trade and other receivables

	2019 £	2018 £
<i>Amounts owed by group undertakings:</i>		
Other taxes and social security receivable from group undertakings	4,529	-
Kemble Water Finance Limited	15,000,000	15,000,000
<i>Interest receivable on amounts owed by group undertakings:</i>		
Kemble Water Finance Limited	3,790,311	3,584,617
<b>Total</b>	<b>18,794,840</b>	<b>18,584,617</b>
Disclosed within non-current assets	18,790,311	18,584,617
Disclosed within current assets	4,529	-

The amounts owed by group undertakings is a loan to Kemble Water Finance Limited of £15,000,000 (2018: £15,000,000), which is unsecured, repayable on demand and bears interest at the Sterling 6 Monthly LIBOR rate plus 0.5% (2018: Sterling 6 Monthly LIBOR rate plus 0.5%). While the loans are repayable on demand, the Directors do not anticipate that the loan will be recalled within 12 months.

### 8. Trade and other payables

	2019 £	2018 £
Amounts owed to group undertakings	922,000	993,879
Other taxes and social security	-	7,404
Group relief payable	42,771	49,453
<b>Total</b>	<b>964,771</b>	<b>1,050,736</b>
Amounts falling due after more than one year	922,000	922,000
Amounts falling due within one year	42,771	128,736
	2019 £	2018 £
<i>Amounts owed to group undertakings:</i>		
Thames Water Limited	922,000	922,000
<b>Total</b>	<b>922,000</b>	<b>922,000</b>

Amounts owed to group undertakings include loans totalling £922,000 (2018: £922,000) which are unsecured, interest free and repayable on demand. The Directors do not consider that any amounts owed to group undertakings will be repayable within one year.

## Notes to the financial statements (continued)

### 9. Called up share capital

	2019 £	2018 £
<i>Allotted, called up and fully paid:</i>		
100 (2018: 100) ordinary shares of £1 each	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.

### 10. Guarantees and capital commitments

At 31 March 2019, the Company has a guarantee with its immediate parent Thames Water Limited, where the parent has guaranteed overdrafts and loans as part of a net overdraft facility available across the parent company and certain other subsidiaries. The bank takes an overall view of the cash position of these companies, where any overdraft existing in a company is netted off against the positive cash balances in other companies within the net overdraft facility. At 31 March 2019 the Company had no capital commitments (2018: none).

### 11. 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 12.

### 12. Ultimate parent company and parent company of larger group

The immediate parent company of Thames Water Investments Limited is Thames Water Limited, a company incorporated in the United Kingdom, 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 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. The address of the registered office of both Kemble Water Finance Limited and Kemble Water Holdings Limited is Clearwater Court, Vastern Road, Reading, Berkshire, RG1 8DB. Copies of the accounts for both entities may be obtained from The Company Secretary's Office at this address.