

Registered no: 2518607

Thames Water Services Limited
Annual report
for the year ended 31 March 2001



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Thames Water Services Limited

Annual report for the year ended 31 March 2001

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Directors' report for the year ended 31 March 2001

The directors present their report and the audited financial statements for the year ended 31 March 2001.

Principal activity

The principal activity of the company in the year ended 31 March 2001 was the provision of waste management, engineering, grounds maintenance, utility network and facilities management services.

Review of business and future developments

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

The directors are pleased to report a profit before interest and tax for the year to March 2001 of £2,832,000 (2000: £4,199,000). Underlying profit from operations before charging development costs has increased significantly to £7,224,000 from £6,209,000, representing continued good progress in operational efficiencies.

The company has continued to invest significant resources into bidding for large scale management contracts, the costs of which have been charged to the profit and loss account during the year. The company further developed its strategy of expanding its product and service set into new clients by successfully winning the Customer Service contract for Dwr Cymru in March. Also, as part of the Metronet Consortium (in which Thames Water Services is leading the Thames Water involvement) the company achieved preferred bidder status for the Bakerloo, Central and Victoria infrastructure concession of the London Underground. Both contracts represent significant progress in establishing Thames Water Services in the long term managed service market leveraging off capabilities in asset management, large scale infrastructure programmes and customer services.

Since the year end the directors have sought to dispose of a number of the company's non-core operations. The sale of the Metro Rod division completed on 10 August 2001 and the sale of the Brophy division completed on 7 November 2001. The Thames Waste Management division was transferred to RWE Umwelt AG on 29 September 2001. During the year to 31 March 2001 these divisions contributed £7.0m, £36.8m and £32.6 million respectively towards the company's turnover.

The directors believe that the above changes will allow the company to continue to drive its success in the long term managed services market place leveraging off the company's capabilities and existing presence in the utility network services market place.

Dividends

No interim dividend was paid this year (2000:£Nil) and the directors do not propose a final dividend (2000:£Nil).

Disabled persons

The company supports the employment of disabled people whenever possible through recruitment, by retention of those who become disabled during their employment and generally through training, career development and promotion.

Employees

The company places considerable value on the involvement of its employees and has continued its practice of keeping employees informed on matters affecting them as employees and on various factors affecting the performance of the company. This is achieved through formal and informal meetings, local newsletters and in-house magazines.

Creditor payment policy

The company's current payment policy is to:

- settle the terms of payment with those suppliers when agreeing the terms of each transaction
- ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts
- pay in accordance with its contractual and other legal obligations

The company's average creditor payment period at 31 March 2001 was 43 days (2000:31 days)

Donations

Charitable donations of £98,000 (2000:£107,000) were made during the year.

Secretary

D Badcock (Resigned 01/01/01)
J Ravenscroft (Appointed 01/01/01)

Directors

The directors of the company who served during the year, all of whom were directors for the whole year ended 31 March 2001, except as noted below, were:

C Anderson (Resigned 19/09/01)	T J V Jones
D Bonnar	G N Mallett
C A Spratt	C I Johnson
J Earle	B B Thirlwall (Resigned 31/10/00)
B H A Howard	A J Whiteside
S Skelton (Appointed 21/09/01)	

Directors' interests

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

During the year, all the shares and share options of Thames Water Plc were acquired by RWE AG, the new ultimate parent company. The cash consideration received was 1,215p per share.

The interests of the directors in the shares of Thames Water Plc are as follows:

	Ordinary shares		Options					
	31 March 2001 Number	1 April 2000 Number	31 March 2001 Number	Lapsed in year Number	Granted In year Number	Exercised in year Number	Options Cancelled Number	1 April 2000 Number
B H A Howard	-	10,244	-	409	1,778	18,799	-	17,430
C Anderson	-	-	-	-	2,361	3,668	772	2,079
C I Johnson	-	116	985	164	2,060	8,014	1,342	8,445
G N Mallett	-	-	-	-	1,655	3,377	963	2,685
C A Spratt	-	2,424	-	-	1,801	2,928	1,036	2,163
J Earle	-	-	-	-	4,491	3,690	4,840	4,039
A J Whiteside	-	-	-	110	1,973	5,264	-	3,401
T J V Jones	-	-	-	-	3,852	7,507	1,319	4,974
D Bonnar	-	-	-	-	2,543	4,140	2,503	4,100

C I Johnson exercised his 985 options in April 2001.

No director held any interest in shares of the new ultimate parent company, RWE AG.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for the year then ended. In preparing those financial statements, the directors are required to

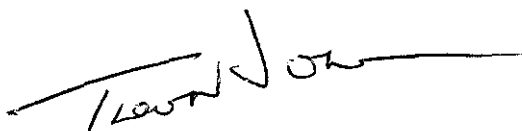
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

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

On behalf of the board

A handwritten signature in black ink, appearing to read 'T J V Jones', written over a horizontal line.

T J V Jones
Director

Auditors' report to the members of Thames Water Services Limited

We have audited the financial statements on pages 5 to 18

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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

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

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Reading
19 December 2001

Profit and loss account for the year ended 31 March 2001

	Notes	2001 £'000	2000 £'000
Turnover	2	197,493	211,578
Cost of sales		(133,299)	(129,683)
Gross profit		64,194	81,895
Net operating expenses	3	(61,362)	(77,696)
Profit on ordinary activities before interest and taxation		2,832	4,199
Net interest payable	6	(753)	(1,127)
Profit on ordinary activities before taxation	7	2,079	3,072
Tax on profit on ordinary activities	8	(1,129)	(2,072)
Profit for the financial year	21	950	1,000

The results relate wholly to continuing operations.

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

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

Balance sheet at 31 March 2001

	Notes	2001 £'000	2000 £'000
Fixed assets			
Intangible fixed assets	9	13,534	15,508
Tangible assets	10	21,073	21,955
Investments	11	8,219	8,219
		<u>42,826</u>	<u>45,682</u>
Current assets			
Stocks	12	11,397	7,997
Debtors	13	51,942	47,264
Cash at bank and in hand		4,416	11,720
		<u>67,755</u>	<u>66,981</u>
Creditors: amounts falling due within one year	14	<u>53,487</u>	<u>62,943</u>
Net current assets		<u>14,268</u>	<u>4,038</u>
Total assets less current liabilities		<u>57,094</u>	<u>49,720</u>
Creditors: amounts falling due after more than one year	15	32,402	25,771
Provisions for liabilities and charges	16	8,180	8,387
		<u>40,582</u>	<u>34,158</u>
Net assets		<u>16,512</u>	<u>15,562</u>
Capital and reserves			
Called up share capital	20	13,000	13,000
Share premium account		1,000	1,000
Profit and loss account	21	2,512	1,562
Equity shareholders' funds	22	<u>16,512</u>	<u>15,562</u>

The financial statements on pages 5 to 18 were approved by the board of directors on 19 December 2001 and were signed on its behalf by:

S Skelton

S Skelton
Director

Notes to the financial statements for the year ended 31 March 2001

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies which have been applied consistently is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Development expenditure

Development expenditure relating to specific projects intended for commercial exploitation is carried forward so long as there is reasonable certainty that the project will proceed, and that the income that it will generate will be sufficient to cover the amortisation of such costs. Such expenditure is amortised over the period expected to benefit.

Where there is a degree of uncertainty as to whether the project will proceed, costs incurred are charged to the profit and loss account in the year.

Finance and operating leases

Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets. Costs in respect of operating leases are charged on a straight line basis over the lease term.

Tangible fixed assets

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

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned, which are principally as follows:

Freehold buildings	10-100 years
Short leasehold improvements	10 years
Plant and equipment	2-7 years
Fixtures and fittings	3-7 years
Freehold land is not depreciated.	

Short leasehold improvements are depreciated over the lease period if shorter than 10 years.

Landfill sites and aftercare provision

Landfill sites are included at cost less accumulated depreciation. The provision for depreciation is based upon the average cost per cubic metre of void space consumed by the deposit of waste. Provision is made for aftercare where it is anticipated that expenditure will be required at the end of the life of the site. Specifically the full liability for aftercare costs is recognised as soon as the liability to incur such costs arises. The corresponding asset is included within fixed assets under landfill sites and is being amortised in accordance with the accounting policy for other landfill site expenditure.

Intangible assets - goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the considerations given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life. Provision is made for any impairment.

Fixed asset investments

Fixed asset investments are stated at cost less amounts written off to reflect any impairment in value.

Stocks

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Long term contracts

Long term contracts are stated at cost, plus attributable profit, less foreseeable losses and progress payments received and receivable. The principal accounting basis used for determining profit on long term contracts is the percentage of completion method based on management's estimate of work completed to date and after providing for all known and anticipated future losses. The amount by which turnover exceeds payments on account is shown under debtors as amounts recoverable on contracts.

Turnover

Turnover, which excludes value added tax, represents the value of services supplied.

Taxation

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

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

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Pension costs

The company operates a mixture of both defined benefit and defined contribution schemes for certain of its employees. The assets of each of these schemes are held separately from those of the company in independently administered funds. Details of the various schemes are given in note 19.

Cash flows

The company is a wholly owned subsidiary of Thames Water Plc and the cash flows of the company are included in the consolidated group cash flow statement of Thames Water Plc. Consequently, the company is exempt under the terms of Financial Reporting Standard 1, "Cash Flow Statements", from publishing a cash flow statement.

Related party disclosure

FRS 8, "Related Party Disclosures", requires the disclosure of the details of material transactions between the reporting entity and any related parties. Transactions between the company and other group companies including associates and joint ventures have not been disclosed in accordance with the exemption in FRS 8 paragraph 3 (c).

2 Turnover and profit on ordinary activities before taxation

Turnover and profit on ordinary activities before taxation are derived from the principal activity of the company which is conducted in the UK.

3 Net operating expenses

	2001 £'000	2000 £'000
Administration expenses	61,569	77,759
Less: other operating income	(207)	(63)
Net operating expenses	<u>61,362</u>	<u>77,696</u>

4 Directors' emoluments

	2001 £'000	2000 £'000
Aggregate emoluments	1,069	955
Aggregate compensation paid for loss of office	<u>45</u>	<u>-</u>

Retirement benefits are accruing to nine directors (2000: ten directors) under the company's defined benefit schemes.

During the year nine directors (2000: one director) exercised share options.

	2001 £'000	2000 £'000
Highest paid director		
Total amount of emoluments and amounts receivable under long-term incentive schemes	187	131
Accrued pensions benefit	<u>22</u>	<u>4</u>

5 Employee information

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

	2001 Number	2000 Number
By function		
Administration	450	564
Engineering and services	2,640	3,209
	<u>3,090</u>	<u>3,773</u>
	2001 £'000	2000 £'000
Staff costs (for the above persons)		
Wages and salaries	62,207	72,221
Social security costs	5,148	6,104
Other pension costs* (see note 19)	1,141	1,214
	<u>68,496</u>	<u>79,539</u>

* Pension costs are net of a credit of £Nil (2000:£455,000) in respect of the Thames Water Group pension schemes which has arisen following the actuarial valuation of the schemes as at 31 March 1999.

6 Net interest payable

	2001 £'000	2000 £'000
Interest payable to group undertakings	868	1,003
Interest payable on bank overdrafts	14	86
Interest receivable on bank deposits	(687)	(759)
Finance charges on finance leases	324	565
	<u>519</u>	<u>895</u>
Interest payable on aftercare provision	234	232
	<u>753</u>	<u>1,127</u>

7 Profit on ordinary activities before taxation

	2001 £'000	2000 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets		
- owned fixed assets	4,946	4,459
- under finance leases	1,573	1,855
Auditors' remuneration		
- audit	126	93
- non-audit services	-	5
Operating lease charges		
- plant & machinery	3,733	5,677
- other	1,557	1,371
Amortisation of intangible fixed assets	2,013	2,065
Development costs	4,392	2,010
Profit on sale of fixed assets	(149)	(100)

8 Taxation

	2001 £'000	2000 £'000
Consideration payable in respect of losses claimed by way of group relief	1,129	-
Corporation tax payable at 30%	-	2,262
(Over)/under provision in respect of prior years' group relief payable	-	(190)
	<u>1,129</u>	<u>2,072</u>

9 Intangible fixed assets

	Goodwill £'000	Other £'000	Total £'000
Cost			
At 1 April 2000	19,039	949	19,988
Additions	-	39	39
At 31 March 2001	<u>19,039</u>	<u>988</u>	<u>20,027</u>
Amortisation			
At 1 April 2000	3,808	672	4,480
Charge for year	1,904	109	2,013
At 31 March 2001	<u>5,712</u>	<u>781</u>	<u>6,493</u>
Net book value at			
31 March 2001	<u>13,327</u>	<u>207</u>	<u>13,534</u>
Net book value at			
31 March 2000	<u>15,231</u>	<u>277</u>	<u>15,508</u>

The directors consider that the useful economic life of the goodwill generated on acquisitions at 1 April 1998 to be a period of 10 years. Other intangible fixed assets represent patents and licences.

10 Tangible fixed assets

	Freehold land and buildings	Landfill sites	Short leasehold improvements	Fixtures & fittings, plant & equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2000	863	15,481	1,150	28,800	46,294
Reclassification	13	-	(94)	397	316
Additions	-	1,565	-	4,313	5,878
Disposals	-	-	(28)	(2,426)	(2,454)
At 31 March 2001	876	17,046	1,028	31,084	50,034
Depreciation					
At 1 April 2000	273	6,960	613	16,493	24,339
Reclassification	(2)	-	(46)	364	316
Charge for year	7	2,006	68	4,438	6,519
Disposals	-	-	-	(2,213)	(2,213)
At 31 March 2001	278	8,966	635	19,082	28,961
Net book value					
At 31 March 2001	598	8,080	393	12,002	21,073
Net book value					
At 31 March 2000	590	8,521	537	12,307	21,955

Included in the cost of freehold land and buildings is the cost of land amounting to £145,000 (2000: £145,000). Within plant and equipment and landfill sites are £Nil (2000:£529,000) and £836,000 (2000:£414,000) respectively relating to assets in the course of construction.

Assets held under finance leases, capitalised and included in fixtures & fittings and plant & equipment amount to:-

	2001	2000
	£'000	£'000
Cost	9,359	10,306
Aggregate depreciation	(6,727)	(6,235)
Net book value	2,632	4,071

11 Fixed asset investments

	Interests in group undertakings £'000
Cost and net book value	
At 1 April 2000 and 31 March 2001	8,219

In the opinion of the directors, the value of the investments in all subsidiary companies is not less than the amounts included in the balance sheet.

Interests in group undertakings

The principal subsidiary undertakings of the company at 31 March 2001 which comprise the above balance were:

Name of undertaking	Country of incorporation	Description of shares held	Proportions of Nominal value of issued shares held
Metro Rod Plc	Great Britain	Ordinary £1 shares	100%
Morgan Collis Group Ltd	Great Britain	Ordinary £1 shares	100%
Thames Water Contracting PLC	Great Britain	Ordinary £1 shares	100%
Subterra Ltd	Great Britain	Ordinary £1 shares	100%
Thames Incineration and Recycling Ltd	Great Britain	Ordinary £1 shares	100%
A J Whiteside & Co Ltd	Great Britain	Ordinary £1 shares	100%

During the year none of the above companies performed trading activities.

The company is exempt from the requirement to prepare consolidated financial statements since its subsidiaries are wholly owned and consolidated in the financial statements of the ultimate parent company.

12 Stocks

	2001 £'000	2000 £'000
Raw materials and consumables	2,028	1,797
Work in progress:		
Net cost less foreseeable losses	73,941	52,679
Less applicable payments on account	(67,429)	(48,762)
Total long term work in progress	6,512	3,917
Short term work in progress	2,857	2,283
Work in progress	9,369	6,200
	11,397	7,997

13 Debtors

	2001	2000
	£'000	£'000
Amounts falling due within one year		
Trade debtors	11,090	8,940
Amounts recoverable on contracts	3,724	8,486
Amounts owed by group undertakings	30,044	24,142
Other debtors	3,143	3,346
Prepayments and accrued income	3,796	1,895
Pension scheme prepayment	145	455
	<u>51,942</u>	<u>47,264</u>

14 Creditors: amounts falling due within one year

	2001	2000
	£'000	£'000
Bank overdraft	1,367	20
Finance leases (see note 17)	1,366	1,868
Trade creditors	17,969	10,203
Amounts due to group undertakings	12,609	18,902
Other creditors	1,205	3,846
Group relief payable	81	-
Corporation tax payable	-	1,593
Other taxation and social security payable	2,706	5,487
Accruals and deferred income	16,184	21,024
	<u>53,487</u>	<u>62,943</u>

15 Creditors: amounts falling due after more than one year

	2001	2000
	£'000	£'000
Amounts owed to group undertakings*	30,648	22,818
Finance leases (see note 17)	1,754	2,953
	<u>32,402</u>	<u>25,771</u>

* Amounts owed to group undertakings include £22.3 million in respect of loans from Thames Water Plc. One loan is interest free and the other bears an interest rate linked to bank base rates. These loans have no fixed repayment dates. Thames Water Plc has confirmed that it will not demand repayment of these loans before 31 March 2002. The balance relates to loans with subsidiary undertakings which are interest free and have no fixed repayment dates.

16 Provisions for liabilities and charges

	Landfill sites £'000	Other £'000	Total 2001 £'000
At 1 April 2000	7,297	1,090	8,387
Utilised and released during the year	-	(736)	(736)
Additional provisions made in the year	57	238	295
Interest in respect of net present value adjustment	234	-	234
At 31 March 2001	7,588	592	8,180

The landfill sites provision is in respect of landfill site restoration and aftercare costs. The amounts provided have been discounted at a real rate of 3.5% and interest charged to the profit and loss account. Aftercare costs have been provided for each landfill site for a period of 30 years following site completion. The remaining provisions are in respect of actions taken and announced during the previous year to refocus the business and which are likely to fully crystallise in the next 12 months.

17 Finance leases

Future minimum payments under finance leases are as follows:-

	2001 £'000	2000 £'000
Within one year	1,366	1,868
In more than one year, but not more than five years	1,754	2,953
	3,120	4,821

18 Deferred taxation

The potential deferred tax asset is as follows:-

	Unrecognised Amount 2001 £'000	Unrecognised Amount 2000 £'000
Tax effect of timing differences because of:		
Excess of depreciation over tax allowances	2,376	939
Other	1,281	758
	3,657	1,697

19 Pension obligations

The company operates a mixture of both defined benefit and defined contribution schemes for certain of its employees. The total pension cost for the company was £1,141,000 (2000: £1,214,000).

Defined benefit schemes

Three of these schemes are funded through Thames Water Group pension schemes whose assets are held separately from those of the company in independently administered funds. The schemes are funded by contributions from the company and the employees. The pension costs relating to the schemes are assessed in accordance with advice from Bacon & Woodrow, the consulting actuaries for the schemes. Full descriptions of these schemes are set out in the financial statements of the holding company, Thames Water Plc. The total cost for the schemes was £409,000 (2000: £133,000).

A fourth scheme is administered externally by Corporate Financial Solutions Ltd. The scheme is funded by contributions from the company and the employees. The latest actuarial valuation was at 5 April 2000 and was based on the Attained Age Valuation method. Whilst this method differs from the Prospective Benefit method, it is not expected to produce a significantly different result from that recommended by the Statement of Standard Accounting Practice 24.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries. It was assumed that the investment return would be 8.5% per annum and that salary increases would average 6.5% per annum. At the valuation date the market value of the assets was £2,578,385. The actuarial value of the assets was sufficient to cover 119% of the value of the accrued benefits, assuming that all benefits are eventually taken at age 65. The total pension cost for the scheme was £257,000 (2000: £224,000).

Certain employees also belong to a British Association of Landscape Industries (BALI) pension scheme. BALI is a centralised defined benefit scheme, administered by Friends Provident Life, in which the company has its own separate section. The total pension cost for the scheme was £455,000 (2000: £805,000).

The latest actuarial valuation was at 6 April 1998 and was based on the projected unit method with a one year control period. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries. It was assumed that the investment return would be 8.0% per annum and that salary increases would average 6.0% per annum. At the valuation date the market value of the assets for the whole scheme was £1,829,000. The actuarial value of the assets relating to the company's section was sufficient to cover 102% of the value of the accrued benefits, assuming that all benefits are eventually taken at age 65.

Defined contribution schemes

Certain employees belong to defined contribution schemes. The assets of these schemes are held separately from those of the company in independently administered funds. The total pension cost for these schemes was £20,000 (2000: £52,000).

20 Called up share capital

	2001 £'000	2000 £'000
Authorised		
13,000,000 (2000: 13,000,000) ordinary shares of £1 each	<u>13,000</u>	<u>13,000</u>
Allotted, called up and fully paid		
13,000,000 (2000: 13,000,000) ordinary shares of £1 each	<u>13,000</u>	<u>13,000</u>

21 Profit and loss account

	£'000
At 1 April 2000	1,562
Retained profit for the year	<u>950</u>
At 31 March 2001	<u>2,512</u>

22 Reconciliation of movements in shareholders' funds

	2001 £'000	2000 £'000
Profit for the year	<u>950</u>	<u>1,000</u>
Net Addition to shareholders' funds	<u>950</u>	<u>1,000</u>
Shareholders' funds as at 1 April	<u>15,562</u>	<u>14,562</u>
Shareholders' funds as at 31 March	<u>16,512</u>	<u>15,562</u>

23 Capital commitments

	2001	2000
	£'000	£'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	264	340

24 Financial commitments

At 31 March 2001 the company had annual commitments under non-cancellable operating leases as follows:

	2001		2000	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Expiring within one year	188	2,138	51	1,754
Expiring between two and five years inclusive	707	1,411	402	1,752
Expiring in over five years	358	-	384	121
	<u>1,253</u>	<u>3,549</u>	<u>837</u>	<u>3,627</u>

25 Immediate and ultimate parent company

Thames Water Plc, a company incorporated in Great Britain, is the immediate parent company. Copies of its consolidated financial statements may be obtained by writing to: The Company Secretary, Thames Water Plc, 14 Cavendish Place, London W1G 9NU.

RWE AG, a company incorporated in Germany, is the ultimate parent company and ultimate controlling party. Copies of the ultimate parent company's consolidated financial statements may be obtained by writing to: RWE Aktiengesellschaft, Opernplatz 1, D-45128 Essen, Germany.