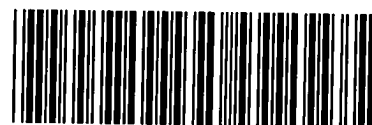


## **Thames Water Overseas Limited**

Annual report and financial statements  
For the year ended 31 March 2018

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## **Contents**

	<b>Page</b>
Directors and advisors	2
Strategic Report	3
Directors' Report	5
Statement of Directors' responsibilities in respect of the annual report and financial statements	7
Independent auditor's report to the members of Thames Water Overseas Limited	8
Income statement	10
Statement of comprehensive income	10
Statement of financial position	11
Statement of changes in equity	12
Accounting policies	13
Significant accounting judgements and key sources of estimation uncertainty	18
Notes to the financial statements	19

## **Directors and advisors**

### **Directors**

D J Hughes  
T Lewis

### **Registered auditor**

KPMG LLP  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL

### **Company Secretary and registered office**

D J Hughes  
Clearwater Court  
Vastern Road  
Reading  
Berkshire  
RG1 8DB

## Strategic Report

The Directors present their Strategic Report for Thames Water Overseas Limited ("the Company") for the year ended 31 March 2018.

### Business review

The principal activity of the Company, being an intermediate holding company within the Kemble Water Holdings Limited group of companies ("the Group"), remains unchanged from the previous year. The Group's principal activity is the appointed supply of water and wastewater services to customers in the London, the Thames Valley and surrounding area, delivered through its wholly owned subsidiary Thames Water Utilities Limited ("TWUL") in accordance with TWUL's licence of appointment.

The Company primarily exists as the United Kingdom holding company of the Group's legacy investments in foreign operations including those located in Thailand and Singapore. Following a strategic review by the Group in a previous period it was determined to focus primarily on the Group's operations within the United Kingdom. A programme to divest those investments, which are inconsistent with the Group's strategy, has continued in the current year. As a consequence of pursuing this strategy the Company fully impaired the carrying value of its non-current asset investments in a previous period.

In addition to its role as an investment holding company, the Company is also the sponsoring employer in a defined benefit pension scheme, the Thames Water Asia/Pacific Superannuation Plan (the "Plan"), which is a legacy of the Group's Australian operations. The latest triennial valuation, which was undertaken as at 1 July 2015 on behalf of the pension Trustees by Aon Hewitt Limited, was signed on 30 March 2016. The results of this triennial actuarial valuation reveal that the Plan is in a satisfactory financial position as at 1 July 2015. The pension Trustees have requested that the Plan undergo a regular annual actuarial investigation between regular triennial actuarial investigations. The latest annual actuarial investigation was undertaken as at 1 July 2017 which revealed a scheme deficit of £46,000 (2017: deficit of £18,000) but a satisfactory financial position at that date. Since 1 July 2017, contributions of £12,000 have been made by the Company, leaving the deficit at £34,000 as at 31 March 2018. In the year ended 31 March 2017 all cash contributions were made by the Company prior to the actuarial valuation on 1 July 2016 and therefore were included in the deficit of £18,000.

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 2018 the Company made a loss before tax of £75,000 (2017: loss of £184,000). This has been predominately driven by recording a provision of bad and doubtful debt against an intercompany receivable from a subsidiary of £74,000 (2017: £309,000) due to the uncertainty in recovering this debt. Legal and professional fees incurred in connection with winding down the Company's foreign operations as well as exchange rate gains comprise the remainder of the income statement performance for the year. As at 31 March 2018, the Company had net liabilities of £212,808,000 (2017: £212,715,000). Notwithstanding the loss before tax and net liabilities position of the Company this performance is in line with expectations. The Company's ultimate parent company, Kemble Water Holdings Limited ("KWH"), has confirmed that it will continue to provide support to the Company to enable it to meet its liabilities as they fall due and consequently the Directors have no concerns regarding the performance or position of the Company.

### Principal risks and uncertainties

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

(i) Market risk

Market risk is the risk that changes in market variables, such as inflation, foreign currency rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The Company incurs legal and professional fees connected with its foreign investments on which it is exposed to risks of adverse foreign exchange movements.

(ii) 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 balances. Credit control policies and procedures are in place to minimise the risk of bad debt arising from intercompany receivables including, where appropriate, a review of the credit ratings of counterparty intercompany entities and any letters of support they may receive from the Group.

## Strategic Report (continued)

### Principal risks and uncertainties (continued)

#### (iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due which include the Company's role as the sponsoring employer in a defined benefit pension scheme which currently show a deficit between the value of the schemes assets and its projected liabilities. The Company has received a letter of support from its ultimate parent company, KWH, confirming that it will provide support as necessary to enable it to meet its liabilities as they fall due for a period of 12 months from the signing of these financial statements. The Directors are satisfied to place reliance on this support based on a review of the Group's budget and business plan, as well as consideration given that all borrowings are to other intercompany entities.

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 Group.

From the perspective of the Company all other risks and uncertainties not disclosed above 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 Limited. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company not disclosed above, 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.

### Future outlook

The Company is expected to continue to act as an intermediate holding company within the Group.

This Strategic Report was approved by the Board of Directors on 28 June 2018 and signed on its behalf by:



**Tonia Lewis**  
Director

Clearwater Court  
Vastern Road  
Reading  
Berkshire  
RG1 8DB

## Directors' Report

The Directors present their annual report and the audited financial statements of Thames Water Overseas Limited for the year ended 31 March 2018. 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 02909020 (England and Wales).

### Directors

The Directors who held office during the year ended 31 March 2018 and to the date of this report were:

D J Hughes	(appointed 13 April 2018)
P Kerr	(resigned 13 April 2018)
S Ledger	(resigned 29 September 2017)
T Lewis	(appointed 29 September 2017)

During the year under review, none of the Directors had significant contracts with the Company or any other body corporate other than their contracts of service (2017: none).

### Future outlook

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

### Dividends

The Company has paid no dividends during either the current or preceding financial year and the Directors do not recommend the payment of a final dividend (2017: £nil).

### Financial risk management

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.

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 Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The Company is in a net liabilities position at the year end and consequently the Company's ultimate parent, Kemble Water Holdings Limited, has agreed to support the Company for a period of at least 12 months from the date of these financial statements.

The Directors have reviewed the Group's financial forecasts for the forthcoming financial year, considered the Group's compliance with its covenants and the cash, current asset investments and available borrowing facilities available at 31 March 2018 in making their assessment of the Group's going concern.

The Directors believe, after due and careful enquiry, and taking into account the support of the ultimate parent company, that the Company has sufficient resources for its present requirements and is able to meet its liabilities as they fall due for the foreseeable future. For these purposes the foreseeable future is taken to mean a period of at least 12 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.

### Political and charitable donations

No political or charitable donations were made by the Company during the year (2017: £nil).

## **Directors' Report (continued)**

### **Disclosure of information to the auditor**

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that 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 Directors (which extend to the performance of any duties as Director of any associated company) and these remain in force at the date of this report.

### **Auditor**

KPMG LLP is the Company's auditor at the date of this report. PricewaterhouseCoopers LLP ("PwC") will replace KPMG LLP following the approval of these accounts at which time KPMG LLP will resign. PwC will be appointed by the Directors as auditors for the financial year ending 31 March 2019 onwards, and their appointment is subject to shareholder approval at the next Annual General Meeting.

Approved by the Board of Directors on 28 June 2018 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 Strategic Report, the Directors' Report and the financial statements**

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are 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, and 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 Overseas Limited**

### **Opinion**

We have audited the financial statements of Thames Water Overseas Limited ("the Company") for the year ended 31 March 2018 which comprise the Income statement, the Statement of comprehensive income, the Statement of financial position, the Statement of comprehensive income, the Statement of changes in equity, accounting policies and related notes.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### **Strategic Report and Directors' Report**

The Directors are responsible for the Strategic Report and the Directors' Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement 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; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

# **Independent auditor's report to the members of Thames Water Overseas Limited (continued)**

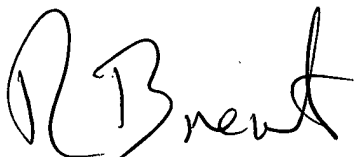
## **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## **The purpose of our audit work and to whom we owe our responsibilities**

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.

A handwritten signature in black ink, appearing to read 'RBrent', is positioned above the printed name of the auditor.

**Robert Brent (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
15 Canada Square  
London  
E14 5GL

28 June 2018

## Income statement

For the year ended 31 March

	Note	2018 £'000	2017 £'000
Operating expenses	1	(75)	(184)
Loss on ordinary activities before taxation		(75)	(184)
Taxation on loss on ordinary activities	3	7	-
<b>Loss for the year</b>		<b>(68)</b>	<b>(184)</b>

## Statement of comprehensive income

For the year ended 31 March

	2018 £'000	2017 £'000
Loss for the year	(68)	(184)
<i>Items that will not be reclassified to the income statement</i>		
Net actuarial losses on defined benefit pension scheme	(28)	(19)
Deferred tax on net actuarial losses	3	(1)
<b>Other comprehensive loss for the year</b>	<b>(25)</b>	<b>(20)</b>
<b>Total comprehensive loss for the year</b>	<b>(93)</b>	<b>(204)</b>

All amounts relate to continuing operations.

The accounting policies and notes on pages 13 to 24 are an integral part of these financial statements.

## Statement of financial position

As at 31 March

	Note	2018 £'000	2017 £'000
<b>Non-current assets</b>			
Investment in subsidiaries	4	-	-
Deferred tax asset	8	6	3
Intercompany receivables	5	12,524	12,524
		<b>12,530</b>	<b>12,527</b>
<b>Current assets</b>			
Cash and cash equivalents		336	426
<b>Current liabilities</b>			
Trade and other payables	6	(45)	(55)
<b>Net current assets</b>		<b>291</b>	<b>371</b>
<b>Non-current liabilities</b>			
Borrowings	7	(225,595)	(225,595)
Retirement benefit obligations	8	(34)	(18)
		<b>(225,629)</b>	<b>(225,613)</b>
<b>Net liabilities</b>		<b>(212,808)</b>	<b>(212,715)</b>
<b>Equity</b>			
Share capital	9	-	-
Retained earnings		(212,808)	(212,715)
<b>Total equity</b>		<b>(212,808)</b>	<b>(212,715)</b>

The accounting policies and notes on pages 13 to 24 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 28 June 2018 and signed on its behalf by:



**Tonia Lewis**  
Director

Registered number: 02909020 (England & Wales)

## Statement of changes in equity

For the year ended 31 March

	Share capital £'000	Retained earnings £'000	Total equity £'000
<b>At 1 April 2016</b>	-	(212,511)	<b>(212,511)</b>
Loss for the year	-	(184)	<b>(184)</b>
Actuarial loss on pension scheme	-	(19)	<b>(19)</b>
Movement on deferred tax relating to actuarial loss	-	(1)	<b>(1)</b>
<b>At 31 March 2017</b>	-	(212,715)	<b>(212,715)</b>
Loss for the year	-	(68)	<b>(68)</b>
Actuarial loss on pension scheme	-	(28)	<b>(28)</b>
Movement on deferred tax relating to actuarial loss	-	3	<b>3</b>
<b>As at 31 March 2018</b>	-	(212,808)	<b>(212,808)</b>

The accounting policies and notes on pages 13 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 Overseas Limited ("the Company") is a 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 Company's principal activity is that of an intermediate holding company in the Kemble Water Holdings Limited group of companies ("the Group"), and remains unchanged from the previous year. The Company primarily exists as the United Kingdom holding company of the Group's legacy investments in foreign operations including those located in Thailand and Singapore. Following a strategic review by the Group in a previous period it was determined to focus primarily on the Group's operations within the United Kingdom. A programme to divest those investments, which are inconsistent with the Group's strategy, has continued in the current 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"), an entity registered in England and Wales, 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 EU adopted IFRSs and are available to the public. Copies of the accounts may be obtained from The Company Secretary's Office at this address.

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.

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);
- 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); and
- 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 following paragraphs of IAS 1 *Presentation of financial statements*:
  - 10(d) (statement of cash flows);
  - 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);
  - 38B-D (additional comparative information);
  - 111 (cash flow statement information); and
  - 134-136 (capital management disclosures).

### Going Concern

The Directors have adopted the going concern basis in preparing these financial statements having given due consideration to the net liabilities of the Company and the requirement for ongoing support from the ultimate parent, Kemble Water Holdings Limited ("KWH").

KWH has confirmed that it will continue to provide support to Thames Water Overseas Limited to enable it to meet its liabilities as they fall due for a period of at least twelve months from the date of signing of these financial statements. The Directors of the Company have considered it appropriate to place reliance on this support, based upon a review of the Group's budget, business plan and investment programme, together with the cash and committed borrowing facilities available. The Directors also took into account potential contingent liabilities and other risk factors in making their assessment.

The Directors believe, after due and careful enquiry, and taking into account the support of the ultimate parent company, that the Company has sufficient financial resources for its present requirements and is able to meet its liabilities as they fall due for the foreseeable future. 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 the basis the Directors consider it appropriate to prepare the financial statements on a going concern basis.

### Non-current asset investment in subsidiaries

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

### 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 payables, cash and cash equivalents and interest bearing borrowings.

#### *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.

## Accounting policies (continued)

### *Interest 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.

### *Interest bearing borrowings*

Interest bearing borrowings are financial liabilities recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition these are stated at amortised cost using the effective interest method. The amortisation is included within finance costs 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.

### *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.

### *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.

### *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.



## Accounting policies (continued)

### Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the financial reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

### 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.

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

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

### 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.

## Accounting policies (continued)

### Retirement and other employment benefits

The Company operates one closed defined benefit pension scheme only, providing retirement benefits to two pensioners (both with spouses), and is a legacy of the Group's Australian operations. The Company accounts for these schemes in accordance with IAS 19. The scheme is an independently administered fund where actuarial valuations are carried out as determined by the pension scheme trustees using the projected unit credit method for the scheme at intervals of not more than three years, the rates of contributions payable and the pension cost being determined on the advice of the actuaries, having regard to the results of these valuations.

The difference between the value of defined pension scheme assets and liabilities is recorded within the statement of financial position as a retirement benefit or obligation. Defined benefit assets are measured at fair value using bid price for assets with quoted prices. Defined benefit liabilities are measured at the reporting date by an independent actuary using the projected unit method and discounted at the current rate of return on high quality corporate bonds of equivalent term and currency to the liability.

Service cost, representing the cost of employee service in the period, and scheme administration expenses are included within operating expenses in the income statement. The net finance cost is calculated by applying the discount rate used for the scheme liabilities to the net deficit.

Changes in retirement benefit obligation may arise from:

- Differences between the return on scheme assets and interest included in the income statement;
- Actuarial gains and losses from experience adjustments; or
- Changes in demographic or financial assumptions.

Such changes are classified as re-measurements and are charged or credited to equity and recorded within the statement of comprehensive income in the period in which they arise.

## 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:

### *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.

### *Retirement benefit obligations*

The Company operates a defined benefit pension scheme for which a full actuarial valuation is carried out as determined by the trustees at intervals of not more than three years. Determining the amount of the Company's retirement benefit obligations and the net costs of providing such benefits requires assumptions to be made including, but not restricted to, long term interest rates, inflation and rate of increases to pensions in payment. These are assessed using the advice of an independent qualified actuary, market observations and assumptions from the latest actuarial valuation.

Changes in these assumptions could significantly affect the amount of obligations recognised and the cost of providing such benefits.

## Notes to the financial statements

### 1. Operating expenses

	2018 £'000	2017 £'000
Legal and professional fees	1	14
Release of provision	(8)	(100)
Bad and doubtful debt provision against intercompany receivable from subsidiary	74	309
Publications and subscriptions	-	1
Exchange losses/(gains)	8	(40)
<b>Total</b>	<b>75</b>	<b>184</b>

The auditor's remuneration of £3,595 (2017: £3,500) 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 (2017: £nil).

### 2. Employees and Directors

The Company had no employees during the year (2017: nil). The Directors received no emoluments in respect of their services to the Company, as none were qualifying services, in both the current and previous financial year. There are no retirement benefits accruing in either the current or previous financial year.

### 3. Taxation

	2018 £'000	2017 £'000
Amounts payable in respect of group relief	2	-
Adjustments in respect of previous periods	5	-
<b>Total tax recognised in the income statement</b>	<b>7</b>	<b>-</b>

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. A further reduction to the UK corporation tax rate to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at the balance sheet date has been calculated based on these rates. The deferred tax credit of £3,000 (2017: £1,000) included in the statement of comprehensive income relates to the movement in the deferred tax asset on retirement benefit obligations as shown in note 8. The tax assessed for the period is higher (2017: higher) than the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are explained:

	2018 £'000	2017 £'000
Loss on ordinary activities before taxation	(75)	(184)
Current tax at 19% (2017: 20%)	14	37
<i>Effects of:</i>		
Expenses not deductible	(12)	(37)
Adjustments in respect of previous periods	5	-
<b>Total tax</b>	<b>7</b>	<b>-</b>

## Notes to the financial statements (continued)

### 4. Subsidiaries

	2018 £'000	2017 £'000
<i>Cost:</i>		
At 1 April	18,403	18,403
At 31 March	18,403	18,403
<i>Impairment:</i>		
At 1 April	(18,403)	(18,403)
At 31 March	(18,403)	(18,403)
Net book value	-	-

The Company has the following direct investments in subsidiary undertakings at 31 March 2018, all of which are wholly owned:

	Principal undertaking	Country of incorporation	Tax resident	Registered office	Class of shares held
Thames Water Asia Pte Limited	Legacy operations	Singapore	Singapore	80 Robinson Road #02-00, Singapore, 68898	Ordinary
Thames Water International (Thailand) Limited	Legacy operations	Thailand	Thailand	999/9 The offices at Central World, 29th Floor, Unit 2973K, Rama I Road, Kwaeng Pathumwan, Khet Pathumwan, Bangkok	Ordinary & Preference
Thames Water DO Brasil Limitada	Legacy operations	Brazil	Brazil	Praia De Botafogo, 501 10 Andar Parte-Torre Pao De Acucar, Botafogo, Rio De Janeiro -CEP22250-000RJ, Brazil	Ordinary

### 5. Intercompany receivables

	2018 £'000	2017 £'000
<i>Amounts owed by group and subsidiary undertakings:</i>		
Thames Water Limited	12,524	12,524
Thames Water International (Thailand) Limited	383	309
	12,907	12,833
Provision for bad and doubtful debt	(383)	(309)
Total	12,524	12,524

The Directors do not anticipate any repayment of the above amounts within 12 months.

## Notes to the financial statements (continued)

### 6. Trade and other payables

	2018 £'000	2017 £'000
Accruals and deferred income	5	5
Group relief payable	(2)	-
Other provisions	42	50
<b>Total</b>	<b>45</b>	<b>55</b>

The above provision represents an estimation of probable remaining expenses, relating to the cessation of foreign operations, that the Company will incur.

### 7. Borrowings

	2018 £'000	2017 £'000
<i>Amounts owed to group and subsidiary undertakings:</i>		
Thames Water Limited	154,754	154,754
Thames Water International Services Holdings Limited	69,242	69,242
Thames Water International Services Limited	1,599	1,599
<b>Total</b>	<b>225,595</b>	<b>225,595</b>

Amounts owed to group undertakings consist of loans which are all non-interest bearing and unsecured. While the amounts are repayable on demand but by no later than 30 August 2037, the Directors do not consider that they will be repayable within one year.

### 8. Retirement benefit obligation

The latest triennial valuation was undertaken as at 1 July 2015 on behalf of the pension Trustees by Aon Hewitt Limited, the independent and professionally qualified consulting actuaries to the scheme. The next triennial valuation will be carried out as at 1 July 2018. The Company has taken advice from Aon Hewitt Limited in respect of the funding position of Thames Water Asia/Pacific Superannuation Plan ("TWAPSP").

The Company has one pension scheme which is a legacy of the Group's Australian operations. Pension arrangements for two of the Company's pensioners (both with spouses) are of the defined benefit type and provided through the TWAPSP. The assets of this scheme are held separately from the Company in an independently administered fund. The defined benefit arrangements are closed to new entrants.

The Company contributes all of the contributions into the scheme and any consequence of there being a surplus or deficit in the scheme is borne by the Company. Accordingly the Directors have considered it appropriate to recognise the net deficit of the pension scheme within these financial statements. In the financial year ended 31 March 2018 payments of £12,000 (AUD \$20,000) were made (2017: £26,000). This contribution was made between the annual valuation at 1 July 2017 and the year ended 31 March 2018 and therefore the scheme assets have been updated accordingly.

## Notes to the financial statements (continued)

### 8. Retirement benefit obligation (continued)

Amount included in the statement of financial position arising from the obligations under defined benefit pensions are:

	2018 £'000	2017 £'000
Equities	74	88
Bonds	184	220
Property	18	22
Cash	31	37
Fair value of scheme assets	307	367
Present value of defined benefit obligations	(341)	(385)
Liability recognised in the statement of financial position	(34)	(18)
Deferred tax asset	6	3
Net pension liability	(28)	(15)

The movements in the fair value of scheme assets were as follows:

	2018 £'000	2017 £'000
At 1 April	367	330
Employer contributions	12	26
Expected return on scheme assets	13	16
Contributions tax	(2)	(4)
Net benefit paid out	(41)	(39)
Administration expenses	(7)	(9)
Exchange rate movement	(35)	47
At 31 March	307	367

The movement in the present value of the defined benefit obligations were as follows:

	2018 £'000	2017 £'000
At 1 April	385	352
Actuarial losses	35	24
Exchange rate movement	(38)	48
Net benefit paid out	(41)	(39)
At 31 March	341	385

## Notes to the financial statements (continued)

### 8. Retirement benefit obligation (continued)

No amounts have been recognised in the income statement in respect of these defined benefit schemes in either the current or preceding financial year. Actuarial gains and losses have been recognised within other comprehensive income. An analysis of the amount presented is set out below:

	2018 £'000	2017 £'000
Cumulative actuarial losses recognised at 1 April	(209)	(189)
Actuarial movement on pension scheme	(28)	(19)
Deferred tax arising on movement on pension scheme	3	(1)
Cumulative actuarial losses recognised at 31 March	(234)	(209)

#### Actuarial risk factors

The scheme is exposed to actuarial risks including investment risk and longevity risk.

Investment risk arises because the Company's contributions to the schemes are based on expected returns from scheme assets based on actuarial assumptions. If these assets underperform a deficit will be created against the scheme liabilities.

The scheme's obligations are dependent on the assumptions about the life expectancy of the members after retirement. If the scheme's members live longer than assumed in the actuarial calculations, a deficit will be created.

#### Actuarial assumptions

The main financial assumptions used in the valuation of the scheme are as follows:

	2018 %	2017 %
Rate of increase to pensions in payment – CPI	2.5%	2.5%
Net investment return	4.8%	4.8%

In valuing the liabilities for the annual valuation at 1 July 2017 mortality assumptions have been made per the Australian Life Tables 2010-12 rated down by two years to allow for increasing longevity. This is the same assumption used in the last triennial valuation at 1 July 2015.

### 9. Called up share capital

	2018 £	2017 £
<i>Allotted, called up and fully paid:</i>		
2 ordinary shares of £1 each (2017: £1)	2	2

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.



## Notes to the financial statements (continued)

### 10. 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.

### 11. Guarantees and capital commitments

The Company has entered into a pooling arrangement whereby the Company and certain other group companies, including Thames Water Overseas Limited, have provided a joint guarantee over their assets and liabilities to National Westminster Bank Plc. This is in respect of borrowings of Thames Water Limited and certain other companies in the Thames Water Limited Group. The guarantee amount is limited to the cash held at the bank account of the Company which at 31 March 2018 amounted to £336,148 (2017: £426,091). At 31 March 2018, the Company had no capital commitments (2017: none).

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

The immediate parent company of Thames Water Overseas Limited is Thames Water International Services Holdings Limited, a company incorporated in the United Kingdom and which owns 50% of the issued share capital of the Company. The remaining 50% is owned by Thames Water Nominees Limited. Kemble Water Finance Limited, a company incorporated in the United Kingdom, is the smallest group to consolidate these financial statements. The address of the registered office of Thames Water International Services Holdings Limited, Thames Water Nominees Limited and Kemble Water Finance Limited is Clearwater Court, Vastern Road, Reading, Berkshire, RG1 8DB.

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 Kemble Water Holdings Limited is Clearwater Court, Vastern Road, Reading, Berkshire, RG1 8DB. Copies of the accounts of all of the above companies may be obtained from The Company Secretary's Office at this address.