

Registered no: 06195202 (England & Wales)

# Thames Water Utilities Holdings Limited

Annual report and financial statements  
For the year ended 31 March 2023



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## Directors and advisors

### Directors

A Hall  
C Pham  
D Wilkins  
G Tucker  
J Divoky  
M Wang  
P Noble  
S Deeley  
S Lowndes  
Y Deng  
T Mi  
G Merchant  
H Onarheim  
J Kim  
A Montague

### Independent auditors

PricewaterhouseCoopers LLP  
3 Forbury Place  
23 Forbury Road  
Reading  
RG1 3JH

### Company Secretary and registered office

B Swiergon  
Clearwater Court  
Vastern Road  
Reading  
Berkshire  
RG1 8DB

## Strategic Report

The Directors present their Strategic Report for Thames Water Utilities Holdings Limited ("the Company") for the year ended 31 March 2023.

### 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 is the immediate parent company of TWUL and is also part of a securitisation group of companies ("the Securitisation Group"). This arrangement comprises the Company and the following wholly owned direct and indirect subsidiaries:

- TWUL (direct subsidiary);
- Thames Water Utilities Finance Plc (indirect subsidiary)

The payment of all amounts owing in respect of the external debt issued by any company within the Securitisation Group is unconditionally and irrevocably guaranteed by all remaining companies within the Securitisation Group. The guaranteed debt on a post swap basis as at 31 March 2023 was £16,443.3 million (2022: £13,771.8 million). A Corporate Family Rating ("CFR") is assigned by Moody's and reflects the consolidated rating of the different classes of outstanding external debt obligations issued by the companies within the Securitisation Group. In May 2022, Moody's completed a periodic review of TWUL Group ratings, resulting in our Corporate Family Rating ("CFR") for TWUL continuing as Baa2 with a stable outlook (2022: Baa2 with stable outlook). Moody's published an Issuer Comment on 29 June 2023, with no change to the ratings. Consequently, the Directors do not consider that it is probable that a payment will be required under this guarantee and no provision relating to this has been made in the financial statements.

In addition to its role as an intermediate holding company, the Company has loans with other companies within the Group, on which interest has been charged at pre-agreed rates.

The Company continues to make its tax losses available to other companies within the Group and as at 31 March 2023 the total amount owing from group companies in respect of group relief was £171.4 million (2022: £121.3 million).

Income for the year is wholly represented by dividends received from the Company's immediate subsidiary entity, which are paid at the discretion of the TWUL board. In the year to 31 March 2023 the total dividend received of £45.2 million (2022: £37.1 million) from TWUL was used to fund an interest payment to Thames Water Limited ("TWL"), the Company's immediate parent company, charged in the year.

On 30 March 2023, the Company issued 500 million of allotted, called up and fully paid ordinary shares of £1 each. The total proceeds from the issuance amounted to £500 million.

### Key performance indicators

The Directors have determined that the loss 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 2023 the Company made a loss before tax of £218.7 million (2022: £187.5 million), which is primarily as a result of the intercompany interest expense exceeding income from other Group companies. The Directors have reviewed the carrying value of the investment in TWUL and have concluded there is no indicator of a long-term decline in recoverable value. Consequently, no impairment adjustment (2022: none) has been recognised as a result of this loss.

As at 31 March 2023, the Company had net liabilities of £335.3 million (2022: £666.7 million). This is in line with expectations, and the Directors have no concerns regarding the performance or position of the Company.

## Strategic Report (continued)

### 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 balances. Credit control policies and procedures are in place to minimise the risk of bad debt arising from trade and other receivables including, where appropriate, a review of the credit ratings of counterparty intercompany entities and any letters of support they may receive from companies within 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. The Company has received a letter of support from the ultimate parent company, Kemble Water Holdings Limited, 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, including those pertaining to its investment in TWUL, 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 on page 26.

### Future outlook

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

### s172 reporting

The Directors of the Company must act in accordance with the duties contained in s172(1) of the Companies Act 2006 as follows: "A Director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- (a) the likely consequences of any decision in the long term;
- (b) the interests of the company's employees;
- (c) the need to foster the company's business relationships with suppliers, customers and others;
- (d) the impact of the company's operations on the community and the environment;
- (e) the desirability of the company maintaining a reputation for high standards of business conduct; and
- (f) the need to act fairly as between members of the company."

On appointment, as part of their induction of becoming a Director, each Director is briefed on their duties and the availability of professional advice from either the Company Secretary or, if they consider it necessary, from an independent adviser. The Directors of the Company have access to the resources provided to the Directors of the Group's main trading company, TWUL.

## Strategic Report (continued)

### s172 reporting (continued)

During the year, the Company has continued to act as an intermediate holding company within the Kemble Water Holdings Limited group. Day-to-day running of the Company is managed by the Company's management team, consisting of employees from the Group's main trading company, TWUL. With the exception of the approval of the Company's annual report and financial statements, no significant decisions requiring the approval of The Board of Directors have been made during the year. The Company had no employees during the year, or as at the date of this report, nor did it have any external customers or trading arrangements with suppliers. The Company's stakeholders are considered to be other companies within the Kemble Water Holdings group with whom intercompany loan relationships exists. Stakeholder engagement occurs periodically throughout the year, both formally and informally.

The Board of Directors of the Company consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006. The Board of Directors of Kemble Water Holdings manage the Group and further details of how they have carried out their duties are disclosed in the financial statements of the ultimate controlling party Kemble Water Holdings Limited. The Group's annual report is available from the address shown in note 12 on page 26.

This Strategic Report was approved by the Board of Directors on 15 July 2023 and signed on its behalf by



**P Noble**  
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 Utilities Holdings Limited ("the Company") for the year ended 31 March 2023. 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 06195202 (England & Wales).

### Directors

The Directors who held office during the year ended 31 March 2023 and to the date of this report were:

A Hall	
C Pham	
D Wilkins	
G Tucker	
J Divoky	
M Wang	
P Noble	
S Deeley	
Y Deng	(appointed 18 February 2022)
S Lowndes	(appointed 29 April 2022)
T Mi	(appointed 30 September 2022)
G Merchant	(appointed 04 November 2022)
H Onarheim	(appointed 01 December 2022)
J Kim	(appointed 01 December 2022)
A Montague	(appointed 10 July 2023)
S Obozian	(resigned 29 April 2022)
F Sheng	(resigned 30 September 2022)
G Lambert	(resigned 01 December 2022)
M Bloch-Hansen	(resigned 01 December 2022)
M McNicholas	(resigned 23 March 2023)
R Noble	(appointed 30 September 2022, resigned 23 March 2023)

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 (2022: none).

Directors are allowed to appoint an alternative Director to represent them if they are unable to attend a meeting. The following Directors have formally appointed alternate Directors to represent them when they are unavailable:

Director	Alternate Director
P Noble	D Wilkins
A Hall	S Lowndes
C Pham	J Divoky
G Tucker	Y Deng
T Mi	M Wang
H Onarheim	S Lowndes

## Directors' Report (continued)

### 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 (2022: £nil).

### Financial risk management

During the year, the Company has had access to the Chief Executive Officer and the Executive Team of Thames Water Utilities Limited, who also manage the wider Kemble Water Holdings Limited 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 page 4.

### Going Concern

The Thames Water Utilities Holdings Limited ("TWUHL") 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 the Company 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.

In making the assessment of KWH's ability to provide the support as required, the Directors of TWUHL have considered the material uncertainty in relation to the going concern assessment in KWH related to (i) the inability to refinance the £190 million loan facility at Kemble Water Finance Limited ("KWF") (an indirect subsidiary of KWH and intermediate parent of TWUHL) before April 2024 and (ii) the breach of the Post Maintenance Interest Cover ("PMICR") covenant for KWF Group in the event of a severe but plausible downside scenario and the availability of or certainty of potential remedies. The KWH Directors have also considered the various options to resolve such uncertainties at KWF which include but are not limited to various refinancing actions which could include additional support from shareholders on a temporary basis. Remedies to address potential non-compliance of the PMICR covenant include utilisation of the associate equity cure via shareholder contributions which underpin the business plan of Thames Water Utilities Limited and the amendment or refinancing of the associated loan facility, both of which require the agreement and support of the loan counterparty. These material uncertainties relating to refinancing requirements and covenant compliance of the KWH Group may cast significant doubt about the ability of TWUHL to continue as a going concern.

The Directors of TWUHL, have considered it appropriate to place reliance on the support from KWH despite the uncertainties noted above, based upon a review of the KWH 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.

For these reasons, the TWUHL Directors' have a reasonable expectation that TWUHL will have access to adequate resources to continue in operational existence for a period of at least 12 months from the date of these financial statements and have therefore concluded that the financial statements should be prepared on a going concern basis. However, these financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

### 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 (2022: £nil).



## Directors' Report (continued)

### 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.

### 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.

### Independent auditors

The independent 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 15 July 2023 and signed on its behalf by:



**P Noble**  
Director  
Clearwater Court  
Vastern Road  
Reading  
Berkshire  
RG1 8DB

## Statement of Directors' responsibilities in respect of 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, 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 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 also 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.



**P Noble**  
Director  
Clearwater Court  
Vastern Road  
Reading  
Berkshire  
RG1 8DB

15 July 2023

## Independent auditors' report to the members of Thames Utilities Holdings Limited

### Report on the audit of the financial statements

#### Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including 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 2023; the Income statement and 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.

#### Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the accounting policies to the financial statements concerning the company's ability to continue as a going concern.

We note that TWUHL relies on support from Kemble Water Holdings Limited (KWH) (ultimate parent company) and as at the date of approval of the financial statements there is a material uncertainty relating to going concern at KWH as there are uncertainties relating to (1) the refinancing of the £190m loan facility which is due for repayment in April 2024 at Kemble Water Finance Limited (KWF) (an indirect subsidiary of KWH and intermediate parent of TWUHL) and (2) KWF is forecasting to breach the Post Maintenance Interest Cover Ratio (PMICR) covenant under a severe but plausible downside scenario. This in turn creates a material uncertainty at TWUHL as due to the conditions above KWH it creates a material uncertainty as to whether KWH would be able to extend the support committed if and when required.

These conditions, along with the other matters explained in note accounting policies to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

### 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.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2023 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 in respect of the financial statements, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK corporation Tax legislation and the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to conceal misappropriation of cash and management bias in accounting estimates. Audit procedures performed by the engagement team included:

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

- Discussions with management and group internal audit function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Challenging assumptions and judgements made by management in their significant accounting estimates;
- Identifying and testing a sample of journal entries throughout the whole year, which met our pre-determined fraud risk criteria.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

### 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 obtained 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.



Katharine Finn (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Reading  
15 July 2023

## Income statement

For the year ended 31 March 2023

	Note	2023 £m	2022 £m
Dividend income	3	45.2	37.1
Finance income		0.1	-
Finance expenses	4	(264.0)	(224.6)
<b>Loss before income tax</b>		<b>(218.7)</b>	<b>(187.5)</b>
Income tax credit	5	50.1	42.6
<b>Loss for the financial year</b>		<b>(168.6)</b>	<b>(144.9)</b>

All amounts relate to continuing operations.

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 2023

	Note	2023 £m	2022 £m
<b>Non-current assets</b>			
Investments	6	4,250.0	4,250.0
Trade and other receivables	7	5.2	5.2
		<b>4,255.2</b>	<b>4,255.2</b>
<b>Current assets</b>			
Trade and other receivables	7	171.6	121.4
		<b>171.6</b>	<b>121.4</b>
<b>Current liabilities</b>			
Trade and other payables	8	(0.2)	(8.4)
		<b>(0.2)</b>	<b>(8.4)</b>
<b>Net current assets</b>		<b>171.4</b>	<b>113.0</b>
<b>Total assets less current liabilities</b>		<b>4,426.6</b>	<b>4,368.2</b>
Trade and other payables	8	(4,761.9)	(5,034.9)
<b>Net liabilities</b>		<b>(335.3)</b>	<b>(666.7)</b>
<b>Equity</b>			
Called up share capital	9	500.0	-
Accumulated losses		(835.3)	(666.7)
<b>Total shareholders' deficit</b>		<b>(335.3)</b>	<b>(666.7)</b>

The financial statements (including the accounting policies and the notes) were approved by the Board of Directors on 15 July 2023 and signed on its behalf by:



P Noble  
Director

Registered number: 06195202 (United Kingdom)

## Statement of changes in equity

For the year ended 31 March 2023

	Called up share capital £m	Accumulated losses £m	Total shareholders' deficit £m
<b>At 1 April 2021</b>	-	(521.8)	<b>(521.8)</b>
Loss for the financial year	-	(144.9)	<b>(144.9)</b>
<b>At 31 March 2022</b>	-	(666.7)	<b>(666.7)</b>
Issued share capital	500.0	-	<b>500.0</b>
Loss for the financial year	-	(168.6)	<b>(168.6)</b>
<b>At 31 March 2023</b>	<b>500.0</b>	<b>(835.3)</b>	<b>(335.3)</b>



## 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 Utilities Holdings Limited ("the Company") is a private limited company incorporated 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, to act as an intermediate holding company within the Kemble Water Holdings Limited Group of companies ("the Group") remains unchanged from the previous year. The Company is the immediate parent company of Thames Water Utilities Limited ("TWUL"), a regulated provider of water and sewerage services.

### 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 international accounting standards in conformity with the requirements of the Companies Act 2006 as applicable to companies using IFRS and international financial reporting standards adopted by the UK Endorsement Board.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards adopted by the UK Endorsement Board, 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), and
- 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 have been prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities at fair value, and the Disclosure and Transparency Rules ("DTR") issued by the Financial Conduct Authority, and are available to the public and may be obtained 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.

### Going Concern

The Thames Water Utilities Holdings Limited ("TWUHL") 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 the Company 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.

In making the assessment of KWH's ability to provide the support as required, the Directors of TWUHL have considered the material uncertainty in relation to the going concern assessment in KWH related to (i) the inability to refinance the £190 million loan facility at Kemble Water Finance Limited ("KWF") (an indirect subsidiary of KWH and intermediate parent of TWUHL) before April 2024 and (ii) the breach of the Post Maintenance Interest Cover ("PMICR") covenant for KWF Group in the event of a severe but plausible downside scenario and the availability of or certainty of potential remedies. The KWH Directors have also considered the various options to resolve such uncertainties at KWF which include but are not limited to various refinancing actions which could include additional support from shareholders on a temporary basis. Remedies to address potential non-compliance of the PMICR covenant include utilisation of the associate equity cure via shareholder contributions which underpin the business plan of Thames Water Utilities Limited and the amendment or refinancing of the associated loan facility, both of which require the agreement and support of the loan counterparty. These material uncertainties relating to refinancing requirements and covenant compliance of the KWH Group may cast significant doubt about the ability of TWUHL to continue as a going concern.

The Directors of TWUHL, have considered it appropriate to place reliance on the support from KWH despite the uncertainties noted above, based upon a review of the KWH 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.

For these reasons, the TWUHL Directors' have a reasonable expectation that TWUHL will have access to adequate resources to continue in operational existence for a period of at least 12 months from the date of these financial statements and have therefore concluded that the financial statements should be prepared on a going concern basis. However, these financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

### New standards and amendments

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2023 that have had a material impact on the Company's financial statements.

The following issued standards have not yet been adopted by the Company:

#### *IBOR reform*

The UK Financial Conduct Authority ("FCA") had concluded that the underlying market that the London Inter-Bank Offered Rate ("LIBOR") was derived from was no longer used in any significant volume and so the rates submitted by banks to sustain the LIBOR rate were often based (at least in part) on expert judgement rather than actual transactions. As a result, after the end of 2021, GBP LIBOR is no longer supported as a benchmark and GBP LIBOR has transitioned ("IBOR reform") to the new Sterling benchmark the Sterling Overnight Index Average ("SONIA").

## Accounting policies (continued)

The Company established a project to oversee the GBP LIBOR transition plan. This transition project included changes to systems, processes, risk and valuation models, as well as managing related tax and accounting implications. The transition has been completed. In May/June 2022, the interest rates in respect of £1,693.4 million of amounts owed to group undertakings were transitioned from LIBOR to SONIA. Refer to Note 8 Trade and other payables for a breakdown of these intercompany loans. No gain or loss was recognised on transition as the Phase 2 reliefs were met.

### 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 receivables, cash and cash equivalents, and trade and other payables.

#### *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. 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.

#### *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 financial assets (including receivables)

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.

## Accounting policies (continued)

### 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.

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 Company intends to settle its current tax assets and liabilities on a net basis.

### Securitisation guarantee

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

### 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.

## Accounting policies (continued)

### 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 trade and other 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.

#### *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. As at 31 March 2023, no reasonably possible change to the key assumptions would result in an impairment and therefore no impairment was recognised in the year (2022: £nil). See note 6 for the net carrying value of the investments and associated impairment provision should one be required.

### 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. Auditors' remuneration

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 £4,815 (2022: £4,500). No other fees were payable to PricewaterhouseCoopers LLP in respect of this Company during the year (2022: £nil).

### 2. Employees and Directors

#### Employees

The Company had no employees during the year (2022: none).

#### Directors

During the year, the Company had twenty directors (2022: eighteen) who are all Non-Executive Directors of the Group and receive emoluments in respect of their services as Directors of Kemble Water Holdings Limited, the ultimate parent company. All of these costs are borne by Thames Water Limited. No other remuneration, pension and pension allowances, or other benefits are paid to the directors of the Company.

The Directors' emoluments were as follows:

	2023 £'000	2022 £'000
Director's fees in respect of services to the Company	-	-
Director's fees in respect of services to the Company's ultimate parent	550.3	502.5
Director's fees in respect of services to the Company's subsidiaries	29.5	52.5
<b>Total</b>	<b>579.8</b>	<b>555.0</b>

#### Highest paid Director

Total emoluments of the highest paid Director in respect of services to the Company's ultimate parent during the year were £58,904 (2022: £60,000).

### 3. Dividend income

	2023 £m	2022 £m
Dividends received from Thames Water Utilities Limited	45.2	37.1
<b>Total</b>	<b>45.2</b>	<b>37.1</b>

### 4. Finance expenses

	2023 £m	2022 £m
<b>On amounts owed to group undertakings</b>		
Payable to immediate parent undertaking	216.5	216.3
Payable to direct subsidiary undertaking	47.5	8.3
<b>Total</b>	<b>264.0</b>	<b>224.6</b>

## Notes to the financial statements (continued)

### 5. Income tax credit

	2023 £m	2022 £m
<b>Current tax</b>		
Amounts receivable in respect of group relief	50.1	42.6
<b>Total tax credit</b>	<b>50.1</b>	<b>42.6</b>

The tax credit for the year ended 31 March 2023 is higher (2022: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2023 £m	2022 £m
Loss before taxation	(218.7)	(187.5)
Current tax credit at 19% (2022: 19%)	41.5	35.6
<i>Effects of:</i>		
Non-taxable income (dividend from UK company)	8.6	7.0
<b>Total tax credit</b>	<b>50.1</b>	<b>42.6</b>

In the Spring Budget 2021, the UK Government announced that from 1 April 2023, the corporation tax rate will increase from 19% to 25%. This new law was substantively enacted on 24 May 2021. As the Company does not have any recognised or unrecognised deferred tax assets or liabilities, there is no impact on these financial statements.

### 6. Investments

	2023 £m	2022 £m
Cost and net book value of shares in subsidiary undertakings	4,250.0	4,250.0

The Company had the following investments in direct and indirect subsidiary undertakings, all of which are wholly owned by the Group, at 31 March 2023:

	Principal undertaking	Country of incorporation	Tax resident	Class of shares held
<b>Direct undertakings</b>				
Thames Water Utilities Limited	Water and wastewater	United Kingdom	United Kingdom	£1 Ordinary
<b>Indirect undertakings</b>				
Thames Water Utilities Finance Plc	Financing company	United Kingdom	United Kingdom	£1 Ordinary

The address of the registered office of all the above companies is Clearwater Court, Vastern Road, Reading, Berkshire, RG1 8DB.

The Directors have considered the carrying value of investments and concluded that no impairment is required.

## Notes to the financial statements (continued)

### 7. Trade and other receivables

	2023 £m	2022 £m
Interest bearing loan to Thames Water Utilities Limited	5.2	5.2
Interest on loan to Thames Water Utilities Limited	0.2	0.1
Group relief debtors	171.4	121.3
<b>Total</b>	<b>176.8</b>	<b>126.6</b>
Disclosed within non-current assets	5.2	5.2
Disclosed within current assets	171.6	121.4

The above intercompany loan receivable balance relates to a single loan agreement for £5,191,091. This loan is unsecured, with a floating interest rate and is repayable on 31 July 2043.

### 8. Trade and other payables

	2023 £m	2022 £m
<b>Amounts owed to group undertakings</b>		
Thames Water Limited	2,311.9	2,311.9
Thames Water Utilities Limited	1,249.1	1,693.4
	<b>3,561.0</b>	<b>4,005.3</b>
<b>Interest payable on amounts owed to group undertakings</b>		
Thames Water Limited	1,200.9	1,029.6
Thames Water Utilities Limited	0.2	8.4
	<b>1,201.1</b>	<b>1,038.0</b>
<b>Total</b>	<b>4,762.1</b>	<b>5,043.3</b>
Disclosed within non-current liabilities	4,761.9	5,034.9
Disclosed within current liabilities	0.2	8.4

Interest bearing amounts payable to Thames Water Limited and Thames Water Utilities Limited have specific terms as follows:

- £1,980.1 million (2022: £1,980.1 million) owed to Thames Water Limited, the Company's immediate parent, is unsecured and represent amounts of unpaid deferred consideration on the purchase of Thames Water Utilities Limited. Interest on this balance is payable at 10% (2022: 10%) and the interest repayment is determined by agreement between both parties. Repayment of the loan is at the discretion of the Company but must be repaid by 2056. On 31 March 2023, TWUHL paid £45.2 million accrued interest to TWL.
- £251.8 million (2022: £251.8 million) owed to Thames Water Limited is unsecured and interest is charged at a rate of 5.47% and is repayable on demand.
- £50.0 million (2022: £50.0 million) owed to Thames Water Limited is unsecured and interest is charged at a rate of 5.40% and is repayable on demand.
- £30.0 million (2022: £30.0 million) owed to Thames Water Limited is unsecured and interest is charged at a rate of 5.46% and is repayable on demand.



## Notes to the financial statements (continued)

### Trade and other payables (continued)

- £735.7 million (2022: £1,180.0 million) owed to Thames Water Utilities Limited, the Company's direct subsidiary, is unsecured and interest is charged at a rate of SONIA + 0.35% (2022: LIBOR + 0.35%). The loan is repayable by 31 August 2037. On 14 June 2022, the loan that originally referenced LIBOR was transitioned to SONIA on an economically equivalent basis. No gain or loss was recognised on transition as the Phase 2 reliefs were met. On 30 March 2023, TWUHL prepaid £444.3 million principal and related £38.8 million accrued interest to TWUL.
- £513.4 million (2022: £513.4 million) owed to Thames Water Utilities Limited, is unsecured and interest is charged at a rate of SONIA + 0.35% (2022: LIBOR + 0.35%) and is repayable on demand. On 24 May 2022, the loan that originally applied a LIBOR rate has been transitioned to SONIA on an economically equivalent basis. No gain or loss was recognised on transition as the Phase 2 reliefs were met. On 30 March 2023, TWUHL paid £16.9 million accrued interest to TWUL.

The directors have obtained a letter of comfort from the directors of Thames Water Limited stating that they will not seek repayment of the loan principals or interest owed to Thames Water Limited for at least 12 months from the date of signing the Thames Water Limited financial statements and as such these have been classified as non-current liabilities.

### 9. Called up share capital

	2023 £	2022 £
<i>Allotted, called up and fully paid:</i>		
500,000,002 (2022: 2) ordinary shares of £1 each	500,000,002	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.

On 30 March 2023, the Company issued 500 million of allotted, called up and fully paid ordinary shares of £1 each. The total proceeds from the issuance amounted to £500 million.

### 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, Thames Water Utilities Limited and Thames Water Utilities Finance Plc, are Obligors under the whole business securitisation entered into in 2007. The Obligors have all entered into a Security Trust and Inter-creditor Deed. Under this document each Obligor will guarantee the obligations of each other Obligor with their future cash flows. The guaranteed debt on a post swap basis as at 31 March 2023 was £16.4 billion (2022: £13.8 billion). At 31 March 2023, the Company had no capital commitments (2022: £nil).

## Notes to the financial statements (continued)

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

The immediate parent company of Thames Water Utilities Holdings 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 the 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.