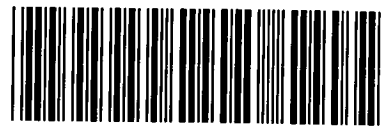


Registered no: 02366623 (England & Wales)

# Thames Water Limited

Annual report and financial statements  
For the year ended 31 March 2022

TUESDAY



\*ABBGI3GI\*

A05

30/08/2022

#289

COMPANIES HOUSE

## Contents

Directors and advisors	3
Strategic Report	4
Directors' Report	7
Statement of Directors' responsibilities in respect of the financial statements	10
Independent auditors' report to the members of Thames Water Limited	11
Income statement	14
Statement of financial position	15
Statement of changes in equity	16
Accounting policies	17
Notes to the financial statements	23

## **Directors and advisors**

### **Directors**

M McNicholas  
S Deeley  
J Divoky  
G Lambert  
G Tucker  
A Hall  
P Noble  
M Bloch-Hansen  
F Sheng  
C Pham  
M Wang  
D Wilkins  
Y Deng  
S Lowndes

### **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 Limited ("the Company") for the year ended 31 March 2022.

### Business review

The principal activity of the Company, to make certain financing arrangements on behalf of, and 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 Group's principal activity is the appointed supply of water and wastewater services to customers in the London, Thames Valley and surrounding area, delivered through its wholly owned subsidiary Thames Water Utilities Limited ("TWUL") in accordance with TWUL's licence of appointment. TWUL is an indirect subsidiary of the Company.

In addition to its role as an investment holding company, the Company is also the sponsoring employer in a defined benefit pension scheme, the SUURBS arrangement, which is closed to new members. The scheme provides retirement benefits on behalf of a former director and their spouse based on final salary. The latest annual accounting valuation, dated 31 March 2022, was performed by Hymans Robertson LLP, an independent and professionally qualified consulting actuary. The results of this valuation revealed the scheme to be in a deficit position of £7.2 million (2021: deficit of £7.6 million). The scheme is secured by the Company by holding cash in a trustee account. Please refer to notes 8 and 11 for more details.

### Key performance indicators

The Directors have determined that the profit 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 2022 the Company made a profit before tax of £196.8 million (2021: £241.6 million). The decrease in profit before tax is due to a one-off net gain from the disposal of subsidiaries that occurred in the previous period.

As at 31 March 2022, the Company had net assets of £2,904.1 million (2021: £2,744.2 million). The Directors have reviewed the expected recoverable value of the Company's non-current asset investments and intercompany loan receivables owed by other group companies. On performing this review the Directors have concluded that no impairment of investments is required (2021: £nil) and that no impairment of intercompany loans receivable is required in the current year (2021: £nil). There are no other indications that any of the other remaining carrying values of investments or loan balances have become impaired and consequently no additional provisions for impairment have been recognised.

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

### Principal risks and uncertainties

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

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's intercompany receivable 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. Kemble Water Holdings Limited confirms that it will provide support as necessary to enable it to meet its liabilities. The Company has received a letter of support from its ultimate parent company 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 Group entities.

## Strategic Report (continued)

### Principal risks and uncertainties (continued)

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, 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 14.

### Future outlook

The Company is expected to continue to make certain financing arrangements on behalf of and, 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, Thames Water Utilities Limited.

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, Thames Water Utilities Limited. During the year, the Board of Directors have approved various decisions in respect of the ongoing liquidation of various direct subsidiaries of the company, entering into intercompany loans and the approval of the Company's annual report and financial statements. 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.

### Stakeholder management

The Company's stakeholders are considered to be companies within the Kemble Water Holdings group with whom intercompany loan relationships exists. Stakeholder engagement occurs regularly throughout the year, both formally and informally.

## Strategic Report (continued)

### s172 reporting (continued)

#### *Community and Environment*

The Board supports the Group-wide commitment to seeking to continually improve the delivery of water and wastewater services in the most sustainable way, which means complying with regulation, delivering public value and leaving the environment in a better state than we found it at the end of each regulatory period.

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 Limited manage the Group and further details of how they have carried out their duties is 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 14.

This Strategic Report was approved by the Board of Directors on 5 July 2022 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 Limited ("the Company") for the year ended 31 March 2022. 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 02366623 (England & Wales).

### Directors

The Directors who held office during the year ended 31 March 2022 and to the date of this report were:

M McNicholas	
S Deeley	
J Divoky	
G Lambert	
G Tucker	
A Hall	
P Noble	
M Bloch-Hansen	
F Sheng	
C Pham	
M Wang	
D Wilkins	(appointed 1 September 2021)
Y Deng	(appointed 18 February 2022)
S Lowndes	(appointed 29 April 2022)
P McCosker	(resigned 30 May 2021)
H De Run	(resigned 1 September 2021)
G Pestrak	(resigned 3 December 2021)
C Schmidt	(resigned 18 February 2022)
S Obozian	(resigned 29 April 2022)
S Lowndes	(appointed 29 April 2022)

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 (2021: 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
M McNicholas	S Obozian
C Pham	J Divoky
P Noble	D Wilkins
F Sheng	M Wang
A Hall	S Obozian
M Bloch-Hansen	S Obozian
G Tucker	Y Deng

### Future outlook

The future outlook of the Company is discussed in the Strategic Report on page 5.

### Dividends

The Company paid no dividends during the year (2021: £nil). The Directors do not recommend the payment of a final dividend (2021: £nil).

## Directors' Report (continued)

### Financial risk management

During the period, 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 pages 4 to 5.

### Going concern

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

Management have assessed the impact of the ongoing COVID-19 pandemic to the financial position of the Company and have concluded that at present it is not expected to affect the Company's ability to continue as a going concern for a period of at least 12 months from the signing of these financial statements. The developing and uncertain situations in respect of the COVID-19 pandemic, and the conflict between Russia and Ukraine, both continue to be closely monitored. The conflict with Russia and Ukraine is not expected to have a material impact on the Company going forward.

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. 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 this basis the Directors consider it appropriate to prepare the financial statements on a going concern basis.

### Research and development

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

### Political and charitable donations

No political donations were made by the Company during the year (2021: £nil). No charitable donations were made by the Company during the year (2021: £nil).

### 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.



## Directors' Report (continued)

### Independent auditors

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

The financial statements were approved by the Board of Directors on 5 July 2022 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 Sustainability Report 2021/22 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 group and the company financial statements in accordance with UK-adopted international accounting standards.

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 group and company and of the profit or loss of the group and 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 UK-adopted international accounting standards 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 group and company will continue in business.

The directors are responsible for safeguarding the assets of the group and 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 group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



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

5 July 2022

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

### Report on the audit of the financial statements

#### Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 March 2022; the Income statement, the Statement of comprehensive income 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.

#### Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

#### 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.

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

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 2022 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 be 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 the posting of inappropriate journal entries to conceal misappropriation of cash and management bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

- 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.

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

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.

KE Finn

Katharine Finn (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Reading  
5 July 2022

## Income statement

For the year ended 31 March

	Note	2022 £m	2021 £m
Net gain from disposal of subsidiaries	1	-	45.4
Administrative expenses	2	(2.0)	(2.9)
<b>Operating (loss)/profit</b>		<b>(2.0)</b>	<b>42.5</b>
Finance income	4	217.2	215.2
Finance expenses	4	(18.4)	(16.1)
<b>Profit before income tax</b>		<b>196.8</b>	<b>241.6</b>
Income tax expense	5	(36.9)	(37.5)
<b>Profit for the financial year</b>		<b>159.9</b>	<b>204.1</b>

## Statement of comprehensive income

For the year ended 31 March

	Note	2022 £m	2021 £m
<b>Profit for the financial year</b>		<b>159.9</b>	<b>204.1</b>
<i>Items that will not be reclassified to the income statement</i>			
Net actuarial gain/(loss) on defined benefit pension scheme	11	0.1	(0.8)
Deferred tax on net actuarial gain/(loss) including impact of tax rate change	5, 11	(0.1)	(0.1)
<b>Other comprehensive loss for the year</b>		<b>-</b>	<b>(0.9)</b>
<b>Total comprehensive income for the year</b>		<b>159.9</b>	<b>203.2</b>

All amounts relate to continuing operations.

## Statement of financial position

As at 31 March

	Note	2022 £m	2021 £m
<b>Non-current assets</b>			
Investments in subsidiaries and associated undertakings	6	14.7	14.7
Trade and other receivables	7	3,447.6	3,334.8
Deferred tax asset	5, 11	1.8	1.4
		<b>3,464.1</b>	<b>3,350.9</b>
<b>Current assets</b>			
Cash and cash equivalents	8	26.1	24.8
		<b>26.1</b>	<b>24.8</b>
<b>Current liabilities</b>			
Bank overdraft	10	(21.6)	(21.2)
Trade and other payables: amounts falling due within one year	9	(113.0)	(141.2)
		<b>(134.6)</b>	<b>(162.4)</b>
<b>Net current liabilities</b>		<b>(108.5)</b>	<b>(137.6)</b>
<b>Total assets less current liabilities</b>		<b>3,355.6</b>	<b>3,213.3</b>
<b>Non-current liabilities</b>			
Trade and other payables: amounts falling due after more than one year	9	(444.3)	(461.5)
Retirement benefit deficit	11	(7.2)	(7.6)
		<b>(451.5)</b>	<b>(469.1)</b>
<b>Net assets</b>		<b>2,904.1</b>	<b>2,744.2</b>
<b>Equity</b>			
Called up share capital	12	81.8	81.8
Share premium account		104.5	104.5
Capital redemption reserve		320.8	320.8
Retained earnings		2,397.0	2,237.1
<b>Total shareholders' funds</b>		<b>2,904.1</b>	<b>2,744.2</b>

The financial statements (including the accounting policies and the notes) were approved by the Board of Directors on 5 July 2022 and signed on its behalf by:



**P Noble**  
Director

Registered number: 02366623 (England & Wales)

## Statement of changes in equity

For the year ended 31 March

	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Retained earnings £m	Total shareholders' funds £m
<b>At 1 April 2020</b>	81.8	104.5	320.8	2,033.9	2,541.0
Profit for the financial year	-	-	-	204.1	204.1
Net actuarial loss on defined benefit pension scheme	-	-	-	(0.8)	(0.8)
Deferred tax on net actuarial loss	-	-	-	(0.1)	(0.1)
<b>At 31 March 2021</b>	81.8	104.5	320.8	2,237.1	2,744.2
Profit for the financial year	-	-	-	159.9	159.9
Net actuarial gain on defined benefit pension scheme	-	-	-	0.1	0.1
Deferred tax on net actuarial gain including impact of tax rate change	-	-	-	(0.1)	(0.1)
<b>As at 31 March 2022</b>	81.8	104.5	320.8	2,397.0	2,904.1



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

The principal activity of the Company, to make certain financing arrangements on behalf of and, 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 an indirect parent company of Thames Water Utilities Limited ("TWUL"), a regulated provider of water and wastewater 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, Vasterin 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 Directors have adopted the going concern basis in preparing these financial statements having given due consideration to the net current liabilities of the Company and the requirement for ongoing support from the ultimate parent, Kemble Water Holdings Limited ("KWH").

Management have assessed the impact of the ongoing COVID-19 pandemic to the financial position of the Company and have concluded that at present it is not expected to affect the Company's ability to continue as a going concern for a period of at least 12 months from the signing of these financial statements. The developing and uncertain situations in respect of the COVID-19 pandemic, and the conflict between Russia and Ukraine, both continue to be closely monitored. The conflict with Russia and Ukraine is not expected to have a material impact on the Company going forward.

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. 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 this basis the Directors consider it appropriate to prepare the financial statements on a going concern basis.

### New standards and amendments

No new accounting standards or amendments which are effective for the year ended 31 March 2022 are applicable.

### 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").

Although Kemble Water Holdings Group is not regulated by the FCA, the Company is impacted by this industry-wide transition given the LIBOR-linked instruments we have outstanding. These were previously transacted with our counterparties, including banks and other investors, the majority of which are regulated by the FCA and so are required to amend contracts to accommodate the ending of the publication of LIBOR.

## Accounting policies (continued)

### IBOR reform (continued)

Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) is effective for financial years beginning on or after 1 January 2021 and addresses issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships.

There are key differences between GBP LIBOR and SONIA. GBP LIBOR is a 'term rate', which means that it is published for a borrowing period (such as 3 months), and it is 'forward looking', because it is published at the beginning of the borrowing period. SONIA is a 'backward-looking' rate; it is based on overnight rates from actual transactions, and it is published at the end of the overnight borrowing period. Furthermore, GBP LIBOR includes a credit spread over the risk-free rate, which SONIA does not explicitly incorporate. To transition existing contracts and agreements that reference GBP LIBOR to SONIA, adjustments for term differences and credit differences need to be applied, to enable the two benchmark rates to be economically equivalent on transition.

The Company established a project to oversee the GBP LIBOR transition plan. This transition project includes changes to systems, processes, risk and valuation models, as well as managing related tax and accounting implications.

The International Accounting Standards Board ("IASB") has issued amendments to IFRS 9, IAS 39 and IFRS 7 in September 2019 that provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform. As at 31 March 2022, the Company had no designated hedge relationships and hedge accounting was not applied.

On 29 June 2022, the £104.8 million intercompany loan with KWF 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. Refer to Note 7 Trade and other receivables for more information.

### IAS 12 – Income Taxes

Amendments have been proposed by the IASB to clarify how companies account for deferred tax on leases and decommissioning obligations. This is not effective until 2023. We are considering the implications of these amendments.

### Interest income

Interest income is recognised using the effective interest method.

### Non-current asset investment in subsidiaries and associated undertakings

Investments in subsidiaries and associated 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.

## Accounting policies (continued)

### Non-derivative financial instruments (continued)

#### *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 are held at either amortised cost or fair value through profit or loss and include cash on hand, deposits held at call with financial institutions, money market funds, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### **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.

#### **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.

#### **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.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

#### **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.

## Accounting policies (continued)

### 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.

#### *Current income tax (continued)*

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.

#### **Defined benefit pension scheme**

The Company operates one independently administered pension scheme, being a defined benefit scheme that is closed to new entrants and provides retirement benefits to a previous Director and their spouse based on final salary. An actuarial valuation is carried out as determined by the Trustees using the projected unit credit method at intervals of not more than three years.

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.

## Accounting policies (continued)

### Defined benefit pension scheme (continued)

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.

### Critical accounting estimates and judgements

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

### Critical accounting estimates and assumptions

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

#### *Impairment of receivables, including intercompany loan receivables*

The Company makes an estimate of the recoverable value of trade and other receivables. When assessing impairment of trade and other receivables, management considers factors such as credit rating of the receivable, the ageing profile of receivables and historical experience. See note 7 for the net carrying value of the receivables and, where applicable, any associated impairment provision.

#### *Retirement benefit obligations*

The pension deficit and net income/expense recognised are assessed using the advice of an independent, qualified actuary based on the latest actuarial valuation and assumptions determined by the actuary. These assumptions are based on information supplied to the actuary by the Company, supplemented by discussions between the actuary and management and are used to estimate the present value of defined benefit obligations.

The actuarial assumptions used in determining the pension surplus and net income recognised affect the profit before tax figure in the Income Statement and the net asset figure in the Statement of Financial Position and are a source of estimate. These assumptions include:

- the discount rate;
- pay growth;
- mortality; and
- increases to pensions in payment.

The actual rates may materially differ from the assumptions due to changes in economic conditions and changes in the life expectancy of the members of the pension schemes. This could have a positive or negative impact on the financial statements.

### Critical accounting judgements

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

## Notes to the financial statements

### 1. Net gain from disposal of subsidiaries

	2022 £m	2021 £m
Reversal of impairment provision held against intercompany receivable due from Thames Water International Services Holdings Limited	-	24.0
Reversal of impairment provision held against intercompany receivable due from Thames Water Overseas Limited	-	12.5
Reversal of impairment provision held against intercompany receivable due from Thames Water International Services Limited	-	1.6
Impairment of investment in Thames Water International Services Holdings Limited	-	(1.0)
Further reversal of impairment provision held against intercompany receivable due from Thames Water International Services Limited.	-	8.3
<b>Total</b>	<b>-</b>	<b>45.4</b>

### 2. Administrative expenses

	2022 £m	2021 £m
Professional fees and consultancy	1.8	2.7
Auditors' remuneration	0.2	0.2
<b>Total</b>	<b>2.0</b>	<b>2.9</b>

The Company pays audit fees on behalf of all companies within the Kemble Water Holdings Limited group of companies, with the exception of Thames Water Utilities Limited and Thames Water Utilities Finance Plc. Fees payable to PricewaterhouseCoopers LLP for the audit of the Company's financial statements were £5,000 (2021: £4,500). No other fees were payable to PricewaterhouseCoopers LLP in respect of this Company during the year.

### 3. Employees and Directors

#### Employees

The Company had no employees during the year (2021: none).

#### Directors

During the year, the Company had fourteen directors (2021: sixteen) 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 the Company. No other remuneration, pension and pension allowances, or other benefits are paid to the directors of the Company.

The Directors' emoluments were as follows:

	2022 £'000	2021 £'000
Director's fees in respect of services to the Company	-	-
Director's fees in respect of services to the Company's ultimate parent	502.5	588.8
Director's fees in respect of services to the Company's subsidiaries	52.5	60.0
<b>Total</b>	<b>555.0</b>	<b>648.8</b>

## Notes to the financial statements (continued)

### 3. Employees and Directors (continued)

#### Highest paid Director

Total emoluments of the highest paid Director in respect of services to the Company's ultimate parent during the year were £60,000 (2021: £60,000).

### 4. Finance income and expense

#### Finance income

	2022 £m	2021 £m
Interest income on amounts owed by group undertakings	217.2	215.2
<b>Total</b>	<b>217.2</b>	<b>215.2</b>

#### Finance expense

	2022 £m	2021 £m
Interest expense on amounts owed to group undertakings	(18.3)	(15.9)
Net interest expense on defined benefit pension scheme	(0.1)	(0.2)
<b>Total</b>	<b>(18.4)</b>	<b>(16.1)</b>

### 5. Income tax expense

#### Tax charged in the income statement

	2022 £m	2021 £m
<i>Current tax:</i>		
Amounts payable in respect of group relief	37.2	37.1
Adjustments in respect of previous periods	0.1	0.3
<b>Total current tax</b>	<b>37.3</b>	<b>37.4</b>
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	0.1	0.1
Effect of tax rate change	(0.5)	-
<b>Tax charge on profit</b>	<b>36.9</b>	<b>37.5</b>



## Notes to the financial statements (continued)

### 5. Income tax expense (continued)

The total tax charge for the year ended 31 March 2022 is lower (2021: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2022 £m	2021 £m
Profit before taxation	196.8	241.6
Current tax at 19% (2020: 19%)	37.4	45.9
<i>Effects of:</i>		
Non-taxable gains on disposal of investments	-	(8.6)
Adjustments in respect of previous periods	0.1	0.3
Effect of tax rate change	(0.5)	
Other	(0.1)	(0.1)
<b>Total tax charge for the year</b>	<b>36.9</b>	<b>37.5</b>

In the Spring Budget 2021, the 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. Deferred tax assets at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements. The Company has not recognised deferred tax assets of £8.5m (2021: £5.6m) in respect of capital losses carried forward of £34.0m (2021: £29.2m) which do not time expire as no future capital gains are currently being forecasted.

### 6. Investments in subsidiaries and associated undertakings

#### Investments in subsidiaries and associated undertakings

	2022 £m	2021 £m
Cost	40.6	40.6
Impairment	(25.9)	(25.9)
<b>Net book value</b>	<b>14.7</b>	<b>14.7</b>

See note 15 for the principal interests held by the Company at 31 March 2022.

#### Cost of investment

	2022 £m	2021 £m
At 1 April	40.6	41.6
Disposals	-	(1.0)
<b>At 31 March</b>	<b>40.6</b>	<b>40.6</b>

#### Impairment

	2022 £m	2021 £m
At 1 April	(25.9)	(25.9)
Disposals	-	-
<b>At 31 March</b>	<b>(25.9)</b>	<b>(25.9)</b>

## Notes to the financial statements (continued)

### 7. Trade and other receivables

	2022 £m	2021 £m
Amounts owed by Group undertakings	3,447.6	3,334.8
<b>Total</b>	<b>3,447.6</b>	<b>3,334.8</b>
Disclosed within non-current assets	3,447.6	3,334.8
Disclosed within current assets		

#### Amounts owed by group undertakings

	2022 £m	2021 £m
<i>Non-interest bearing amounts owed by group undertakings:</i>		
Thames Water Investments Limited	0.9	0.9
Thames Water Products Limited	22.7	22.7
Thames Water Overseas Limited	213.1	213.1
Thames Water Property Services Limited	0.2	0.2
Thames Water Utilities Limited	0.3	0.3
	<b>237.2</b>	<b>237.2</b>
<i>Interest bearing amounts owed by group undertakings:</i>		
Thames Water Utilities Holdings Limited	2,311.9	2,311.9
Kemble Water Finance Limited	104.8	136.3
	<b>2,416.7</b>	<b>2,448.2</b>
<i>Interest receivable on other amounts owed by group undertakings:</i>		
Thames Water Utilities Holdings Limited	1,029.7	851.7
Kemble Water Finance Limited	-	33.7
	<b>1,029.7</b>	<b>885.4</b>
<i>Impairment of amounts owed by group undertakings:</i>		
Thames Water Products Limited	(22.7)	(22.7)
Thames Water Overseas Limited	(213.1)	(213.1)
Other amounts owed by group undertakings	(0.2)	(0.2)
	<b>(236.0)</b>	<b>(236.0)</b>
<b>Total</b>	<b>3,447.6</b>	<b>3,334.8</b>

Non-interest bearing amounts owed by group undertakings amounting to £237.2 million (2021: £237.2 million) are unsecured, interest free and are repayable on demand.

Interest bearing amounts received from Thames Water Utilities Holdings Limited and Kemble Water Finance Limited have specific terms as follows:

- £104.8 million owed by Kemble Water Finance Limited (2021: £136.3 million) on which interest is based on London Interbank Offered Rate (LIBOR) + 0.5%. On 29 June 2022, the loan originally referenced LIBOR 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.
- £1,980.1 million owed by Thames Water Utilities Holdings Limited (2021: £1,980.1 million) representing the unpaid consideration on the purchase of Thames Water Utilities Limited on which interest is payable at 10%.
- The principal balances of both above loans must be repaid by 2056 but are considered repayable on demand meaning they could be recalled in full prior to this date. Interest repayment on this loan is determined by agreement between both parties. No repayment date has been set for interest incurred.

## Notes to the financial statements (continued)

### 7. Trade and other receivables (continued)

- £249.8 million owed by Thames Water Utilities Holdings Limited (2021: £249.8million) is unsecured and interest is charged at a rate of 5.47% and is repayable on demand.
- £50.0 million owed by Thames Water Utilities Holdings Limited (2021: £50.0million) is unsecured and interest is charged at a rate of 5.40% and is repayable on demand.
- £30.0 million owed by Thames Water Utilities Holdings Limited (2021: £30.0million) is unsecured and interest is charged at a rate of 5.46% and is repayable on demand.
- £2.0 million owed by Thames Water Utilities Holdings Limited (2021: £2.0million) is unsecured and interest is charged at a rate of 5.47% and is repayable on demand.

On 29 March 2022, £1.4 million of interest payments were received by the Company from Thames Water Utilities Holdings Limited in relation to the £249.8 million intercompany loan with Thames Water Utilities Holdings Limited. Separately, £34.5 million of interest payments and £31.5 million of principal repayment was received by the Company from Kemble Water Finance Limited in relation to the £136.3 million (of which £104.8 million remains outstanding) intercompany loan with Kemble Water Finance Limited.

The Directors will not seek repayment of any principal or interest amounts owed by group undertakings for at least 12 months from the signing of these or the counterparty's financial statements.

### 8. Cash and cash equivalents

	2022 £m	2021 £m
Cash and cash equivalents	26.1	24.8
<b>Total</b>	<b>26.1</b>	<b>24.8</b>

The cash and cash equivalents balance includes £2.3 million (31 March 2021: £2.3 million) which is held as security for the SUURBS defined benefit pension scheme. The use of the cash is restricted for this purpose only.

### 9. Trade and other payables

	2022 £m	2021 £m
Amounts owed to Group undertakings	444.3	461.5
Amounts payable in respect of group relief	111.5	139.5
Accruals and deferred income	1.5	1.7
<b>Total</b>	<b>557.3</b>	<b>602.7</b>
Amounts falling due after more than one year	444.3	461.5
Amounts falling due within one year	113.0	141.2

## Notes to the financial statements (continued)

### 9. Trade and other payables (continued)

#### Amounts owed to group undertakings

	2022 £m	2021 £m
PWT Projects Limited	15.7	15.7
Kemble Water Finance Limited	381.8	416.9
Other amounts owed to Group undertakings	-	0.4
	<b>397.5</b>	<b>433.0</b>
<i>Interest payable on amounts owed by Group undertakings</i>		
Kemble Water Finance Limited	46.8	28.5
	<b>46.8</b>	<b>28.5</b>
<b>Total</b>	<b>444.3</b>	<b>461.5</b>

Interest bearing amounts payable to Kemble Water Finance Limited have specific terms as follows:

- £249.8 million owed to Kemble Water Finance Limited (2021: £249.8) is unsecured and interest is charged at a rate of 5.47% and is repayable on demand.
- £50.0 million owed to Kemble Water Finance Limited (2021: £50.0) is unsecured and interest is charged at a rate of 5.40% and is repayable on demand or on 23 July 2027.
- £32.0 million owed to Kemble Water Finance Limited (2021: £32.0) is unsecured and interest is charged at a rate of 5.46% and is repayable on demand or on 14 August 2028.

Amounts owed to group undertakings include loans totalling £65.7 million (2021: 101.2 million) which are unsecured, interest free and repayable on demand.

While the loans are repayable on demand, the Directors do not anticipate any repayment within 12 months on any of the loans concerned and letters of comfort have been obtained from the counterparty to confirm that no repayment will be sought for at least 12 months from the date of signing of the financial statements.

### 10. Bank overdraft

At 31 March 2022 the Company has guaranteed the overdrafts and loans of certain subsidiaries with a net overdraft facility of £5.0 million (2021: £5.0 million) available across the Company and the relevant subsidiaries. At the year end the Company had an overdraft of £21.6 million (2021: £21.2 million) which is netted off against the positive cash balances of the other relevant subsidiaries of £23.8 million (2021: £22.2 million). At 31 March 2022 the Company had no capital commitments (2021: none).

The Company has a guarantee in place in which it agrees to meet the pension obligations of its indirect subsidiary Thames Water Utilities Limited ("TWUL") in the event that TWUL becomes insolvent. The Directors consider the likelihood of TWUL becoming insolvent to be remote and as such no provision for this has been considered necessary.

There are a number of parent company guarantees in respect of subsidiary company contractual obligations that have been entered into in the normal course of business. No unprovided loss is expected to arise under these arrangements.

## Notes to the financial statements (continued)

### 11. Retirement benefit deficit

The Company has one pension scheme which is a defined benefit scheme, the SUURBS Arrangement ("SUURBS") providing retirement benefits to a previous director and their spouse based on final salary. 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 scheme is an unfunded arrangement but is secured against assets held by the Company. During the prior year, on sale of the pension assets, the pension scheme then entered into a Surety Bond arrangement in order to insure against any future potential non-payment of benefits by TWL. This does not meet the criteria to be classified as a pension asset under IAS 19. Separately £2.3m is required to be held within restricted cash. The latest full annual valuation dated 31 March 2022 was carried out on behalf of the pension Trustees by Hymans Robertson LLP, the independent and professionally qualified consulting actuaries to the scheme. This valuation uses revised assumptions that are consistent with the requirements of IAS 19 Employee Benefits.

The Company expects to contribute approximately £0.4 million in aggregate to the defined benefit scheme in the next financial year.

The amounts included in the statement of financial position in respect of defined benefit pension schemes were as follows:

	2022 £m	2021 £m
Cash		
Fair value of scheme assets		
Present value of defined benefit obligations	(7.2)	(7.6)
Deficit recognised in the statement of financial position	(7.2)	(7.6)
Deferred tax asset	1.8	1.4
<b>Net retirement benefit deficit</b>	<b>(5.4)</b>	<b>(6.2)</b>

There are no scheme assets as at the year-end (2021: none) and as such no movement in the fair value of scheme assets (2021: £nil).

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

	2022 £m	2021 £m
At 1 April	7.6	7.0
Actuarial (gain)/loss on liabilities	(0.1)	0.8
Interest cost	0.1	0.2
Net benefit paid out	(0.4)	(0.4)
<b>At 31 March</b>	<b>7.2</b>	<b>7.6</b>

The following amounts have been recognised in the income statement in respect of the defined benefit pension scheme:

	2022 £m	2021 £m
Net interest expense	(0.1)	(0.2)

## Notes to the financial statements (continued)

### 11. Retirement benefit deficit (continued)

Actuarial gains and losses have been recognised within other comprehensive income. An analysis of the amount presented is set out below:

	2022 £m	2021 £m
Cumulative actuarial gains recognised at 1 April	0.8	1.6
Actual return less expected return on pension scheme assets	-	-
Gain/(loss) arising due to change in scheme financial assumptions	0.1	(0.8)
Total	0.1	(0.8)
Cumulative actuarial gains recognised at 31 March	0.9	0.8

#### 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:

	2022 %	2021 %
Discount rate	2.75	2.10
Retail Price Inflation	3.85	3.30
Consumer Price Inflation	3.30	2.70

In valuing the liabilities of the pension scheme, mortality assumptions have been made based on the data regarding the scheme's only member and their spouse and therefore have not been disclosed.

The sensitivity of the present value of scheme liabilities to changes in the principal assumptions used is set out below:

	2022 £m	2021 £m
<i>Change in assumptions resulting in a (decrease)/increase in liabilities</i>		
Change in discount rate (+ 1% p.a.)	(0.7)	(0.7)
Change in rate of inflation (- 1% p.a.)	(0.7)	(0.7)
Change in life expectancy (+ 1 year)	0.3	0.3

## Notes to the financial statements (continued)

### 12. Called up share capital

	2022 £m	2021 £m
<i>Allotted, called up and fully paid:</i>		
355,770,743 (2021: 355,770,743) ordinary shares of 23p each (2021: 23p)	81.8	81.8

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.

### 13. Related parties

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

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

The immediate parent company of Thames Water Limited is Kemble Water Finance Limited, a company incorporated in the United Kingdom, which owns 100% of the issued share capital of the Company and is the smallest group to consolidate these financial statements.

The Directors consider the ultimate parent company and controlling party to be Kemble Water Holdings Limited, a company incorporated in the United Kingdom and largest group to consolidate these financial statements. The address of the registered office of both Kemble Water Finance Limited and Kemble Water Holdings Limited is Clearwater Court, Vastern Road, Reading, Berkshire, RG1 8DB. Copies of the accounts for both entities may be obtained from The Company Secretary's Office at this address.

## Notes to the financial statements (continued)

### 15. Subsidiaries, associated undertakings, and significant holdings other than subsidiary undertakings

At 31 March 2022 the Company held the following principal interests, all of which are either wholly or jointly owned either directly or indirectly through its subsidiary investments.

	Principal undertaking	Country of incorporation	Tax resident	Class of shares held	Proportion of voting rights & shares held
<b>Direct</b>					
Thames Water Utilities Holdings Limited	Holding Company	United Kingdom	United Kingdom	Ordinary	100%
Kennet Properties Limited	Property Company	United Kingdom	United Kingdom	Ordinary	100%
Innova Park Management Company Limited	Property Company	United Kingdom	United Kingdom	Ordinary	100%
Thames Water Property Services Limited	Property Company	United Kingdom	United Kingdom	Ordinary	100%
PWT Projects Limited	Non Trading Company	United Kingdom	United Kingdom	Ordinary	100%
Thames Water Products Limited	Non Trading Company	United Kingdom	United Kingdom	Ordinary	100%
Thames Water Investments Limited	Property Company	United Kingdom	United Kingdom	Ordinary	100%
Foudry Properties Limited	Property Company	United Kingdom	United Kingdom	Ordinary	50%
Thames Water Pension Trustees Limited	Pension Trustees	United Kingdom	United Kingdom	Ordinary	100%
Thames Water Pension Trustees (MIS) Limited	Non Trading Pension Trustees	United Kingdom	United Kingdom	Ordinary	100%
Thames Water Senior Executive Pension Trustees Limited	Non Trading Pension Trustees	United Kingdom	United Kingdom	Ordinary	100%
Thames Water Overseas Limited	Holding Company	United Kingdom	United Kingdom	Ordinary	100%
<b>Indirect</b>					
Thames Water Utilities Limited	Water & Wastewater	United Kingdom	United Kingdom	Ordinary	100%
Thames Water Utilities Finance Plc	Finance Company	United Kingdom	United Kingdom	Ordinary	100%
Thames Water Asia PTE Limited	Legacy Investment	Singapore	Singapore	Ordinary	100%

The address of the registered office of all the above companies is Clearwater Court, Vastern Road, Reading, Berkshire, RG1 8DB with the exception of Thames Water Asia Pte Limited, the registered office of which is 80 Robinson Road #02-00, Singapore, 68898.