Thames Water

Interim Report 2022/23

Contents

Introduction to our report

This report covers our performance for the six months period ended September 2022.

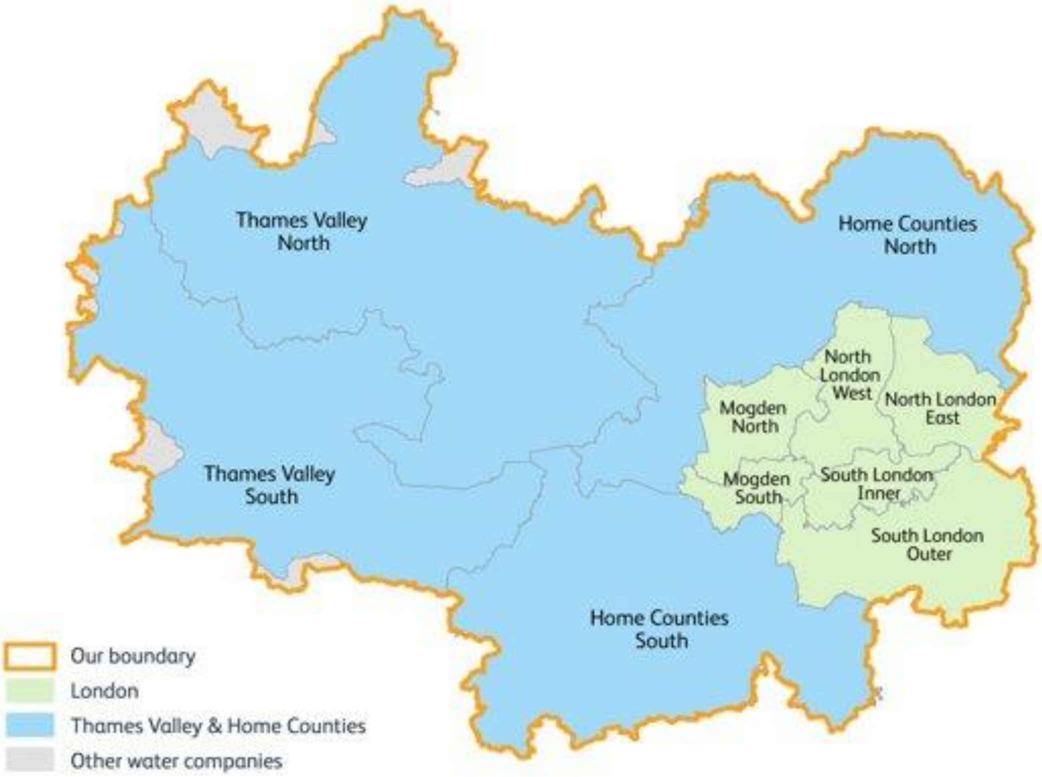
Who we are

Our Purpose is to deliver life's essential service, so our customers, communities and the environment can thrive.

Every day, we supply clean and safe drinking water to 10 million customers, and we treat the wastewater of 15 million customers. Providing our services in a responsible way is crucial to the delivery of our Purpose.

Where we operate

Our patch follows the River Thames and stretches from Gloucestershire to Essex, covering countryside, villages, towns and our capital city. After moving to a regional model on 1 April, we have separate operational teams dedicated to London and the Thames Valley and Home Counties.



A snapshot of progress of our Turnaround

Progress of our turnaround

Here is a snapshot of our performance and achievements in the first six months of 2022/23

Fix the basics

Support for customers during cost-of-living crisis	Over £38 million of social tariff support, with a 16% increase in the number of households helped
Improving performance	43% reduction in complaints, and 59% reduction in internal sewer flooding incidents. Improving performance in other waste metrics, whilst increasing focus to improve serious pollutions performance
Challenging external world	Drought has had a significant impact on water performance metrics, including leakage and supply interruptions, with 38% increase in mains bursts due to the hot weather and dry ground. A temporary usage ban was in place to maintain resilient supply
Financial performance affected by external headwinds	Solid performance in the face of challenging macro-economic and climate-related headwinds. Return to profit driven by net gains on financial instruments
Strong shareholder support for turnaround plan	Approval of revised business plan, commitment of new equity and no dividends paid

Raise the bar

Increasing in-house control, efficiency and capability	Insourced management of water network repair and maintenance
Continued investment in assets	Record £808 million invested in first six months of year We moved to a new intelligent client model to support investment, which has led to the doubling of Capital Delivery spend compared to last year

Shape the future

Cleaning up rivers	On track for live discharge alerts from all permitted locations Consultation on first 25-year Drainage and Wastewater Management plan completed
Reducing our reliance on grid energy	Reduced overall electricity consumption by 4% to 400Gwh Incorporation of new Ventures companies in the Kemble Group to increase energy generation and to provide possibility of increased investment in energy projects

Our key performance indicators

Here is a snapshot of our performance against our KPIs. Some of these are also performance commitments and outcome delivery incentives (ODI), which can attract rewards or penalties at the end of the financial year.

For more information about our ODIs, see our Annual Performance Report for 2021/22.

Performance Key:

Green arrows show improvement	↓ ↑
Red arrows show deterioration	↑ ↓
Same as last year	=

	Customer KPIs	Sep 2022	Sep 2021
=	C-MeX [1]	67.69 17th	70.11 17th
↓	Total household complaints	34,426	60,929
↓	Per capita consumption [2]	143.0	146.8

	People KPIs	Sep 2022	Sep 2021
↓	Employee engagement	69%	75%
↑	Lost time injuries frequency rate[3]	0.15	0.10

	Operational KPIs	Sep 2022	Sep 2021
↑	Water quality compliance risk index	10.87	1.71
↓	Acceptability of water to consumers [4]	0.31	0.37
↑	Water supply interruptions [5]	6 mins 57s	3 mins 46 secs
↑	Leakage [6]	593.5	577.6
↓	Clearance of blockages [7]	33,252	36,569
↓	Internal sewer flooding [8]	0.87	2.11
↓	Pollution incidents [9]	19.91	20.92
↑	Treatment works compliance	99.48%	98.96%
	Sewage spills[10]	7,949	-

	Financial KPIs	Sep 2022	Sep 2021
↑	Investment in assets	£808m	£627m
=	Total underlying revenue	£1.1bn	£1.1bn
↓	Total EBITDA	£556m	£591m
↑	Total profit/(loss) after tax	£398m	(£581m)
	Credit ratings		
=	Moody's Corporate Family Rating	Baa2 (stable)	Baa2 (stable)
↓	Standard & Poor's Class A Rating	BBB (stable)	BBB+ (-ve)

[1] Score out of 100
[2] Litres per person per day
[3] Number per 100,000 hours worked
[4] Number of contacts per 1,000 people
[5] In hours, minutes, seconds
[6] Year to date annual average in mega litres per day
[7] Number of blockages
[8] Number per 10,000 connections
[9] Number of category 1-3 pollutions per 10,000km of sewers
[10] As spills is a new KPI, we haven't included the figure for last year. The total for 2021 was 14,713. It is a calendar year measure. 7,949 is for the first nine months to 30 September 2022

Statements from our Chair and CEO

Our Chair, Ian Marchant

"The Executive team, Board and shareholders are all aligned in creating long-term value for our customers, communities and the environment"

2022 marked one of the worst droughts on record, leading to an unprecedented decline in water storage. Given the severity and prolonged nature of the drought in our region, a temporary usage ban was put in place to help manage water resources. Team Thames has been working round the clock to fix leaks and bursts, which have spiked as a result of the drought, and working with customers to help reduce demand.

Despite the climate change related challenges of the Summer, as a Board, we're pleased with the progress the Executive team and the rest of Team Thames is making in the turnaround.

The Executive team, Board and shareholders are all aligned in creating long-term value for our customers, communities and the environment, which in turn creates value for our shareholders and the pensioners many of them represent.

In June, the shareholders further underlined their support for the turnaround plan with their unanimous approval of a revised business plan for this regulatory period. The new plan will see a huge increase in investment compared to our final determination, with our shareholders committing £500 million of new equity this year.

In addition, our shareholders have once again agreed not to take dividends, so they can be reinvested. It's now five and a half years since our shareholders received a dividend. The only payments we've made have been to pay interest on external debt, as well as other minor group costs.

It's a time of unprecedented external challenge. Spikes in energy prices and inflation, the war in Ukraine, climate change and the rising cost of living are all having an impact on the delivery of our essential services. As a Board, we're focused on risk management and have been engaging with teams across the business to understand, and oversee the mitigation of, the escalating long-term risks and near-term shocks.

Our water cycle is an energy intensive process and cost £63 million for the six months to September 2020. That's gone up by 78% to £112 million for the six months to September 2022 and it's a cost we've protected our customers from. Already self-generating almost a quarter of our energy needs, the business is continuing to innovate to increase generation and reduce our reliance on the grid.

To maximise the energy generation potential of Thames and secure increased investment into our network, the shareholders, through the Kemble Group structure, have set up a new group of companies, which will be operational from 31 March 2023. They will invest in energy projects, such as increased solar and property development.

Long-term planning and strategy

Our CEO's stance on the need for systemic reform, to enable the water industry to secure investment outside the confines of each regulatory period, is fully supported by the Board. The Thames Tideway Tunnel is a great example of what can be achieved for our customers and the environment if we collaborate with our regulators, the Government and other stakeholders, outside the traditional regulatory boundaries.

Culture and engagement

Making sure the whole team has the right values and behaviours to deliver the turnaround continues to be a key focus for the business and the Board. In November 2022, we met with our People Director for an update about the ongoing Living our Values roll out. We've also continued to engage with the business about our Vision for 2050 and, in September 2022, held our Board strategy day. It focused on the evolving strategic roadmap, which will enable us to achieve our Vision and to deliver on our Purpose.

Over the last six months, I've visited many different sites across the patch, including Didcot, Farmoor, Kidlington, and some of the London treatment plants. I also visited the new Angelinos pumping station, where we laid a major new water pipeline in the last regulatory period to increase the resilience of our water network. As we lay out our plans to future proof our services for many generations to come, I've also been continuing to engage with the teams responsible for our long-term Water Resources Management Plan and Drainage and Wastewater Management Plan.

Governance

During the first six months, John Morea stepped down as a Non-Executive Board Director, representing the Abu Dhabi Investment Authority and CIC on the Board. He has been replaced by Guy Lambert, who was previously a Non-Executive Director of the Thames Water Utilities Board.

Looking ahead

We all know the impact of the current challenges are likely to be felt by our customers, and our business, for many months, and possibly years, to come.

We'll continue to support the Executive team as they focus on adapting to the changing world around us while pushing forward with the delivery of our turnaround, a critical stepping stone on the journey to our Vision for 2050.

On behalf of the Board, I'd like to close my statement with another thank you to everyone at Thames Water for their passion, determination and resilience to do their best for our customers at such a challenging time. Our turnaround is necessarily ambitious and we're making progress.

Ian Marchant
Chairman of Thames Water Utilities Limited

Progressing our Turnaround
CEO, Sarah Bentley

Our Turnaround Plan is necessarily stretching, and we've made some progress under each pillar of the plan in the last six months. That said, there's still a long way to go as we move through year two of our eight-year plan and the unprecedented external pressure we're facing is having an impact on our performance metrics.

Progressing the turnaround

We've implemented some critical organisational changes over the last six months, and we're already seeing early signs of the benefits they'll bring. To help us get much closer to local customer and environmental needs, we launched our new regional operating model on 1 April 2022, which focuses separate operational teams on London and the Thames Valley and Home Counties. We've also brought the repair and maintenance of our water network in house, and by March 2023, we will have moved all our customer-facing telephone teams to the UK.

To support investment, we've also moved to new intelligent client and capital delivery models, as we ramp up our investment programme to increase asset resilience. We've continued our record levels of activity, with £808 million invested in the first six months. That's another huge increase on last year's record levels, which has delivered improvements and upgrades at sites across our whole region, including Beckton, Coppermills, Kintbury and Speen.

Doing more for customers

The last six months have been incredibly challenging for many of our customers and we've been continuing to provide high levels of support. In the first half of the year, we provided £38 million in social tariff support and have continued to invest in our Independent Trust Fund, which helps provide debt advice for customers.

The hard work and focused effort of Team Thames has led to another huge decrease in complaints, 43% lower than this time last year. Reducing complaints has been a real challenge in the past, and I'm thrilled we're making such significant progress. However, we still have a long way to go, as these improvements have not yet translated into a move up the league table in C-MeX (the industry's measure of customer experience). As we continue with our customer service transformation programme and embed our regional operating model, we aim to close the gap.

Supporting our colleagues

I've also been spending a lot of time with our frontline colleagues. They are the people making sure our customers have fresh drinking water every day and that their wastewater is taken away and treated, so it is important to listen to the challenges they're facing and support them in finding solutions.

We're focused on improving our health and safety performance, and we've launched new situational awareness training after our lost-time injuries frequency increased year on year. It's showing promising signs of progress and we expect our performance to improve in the second half of the year.

Creating stronger leadership

Our new Executive team has extensive turnaround experience and is driving the plan forward. One of the key foundations of our turnaround was to create stronger leadership throughout Thames and that's continued through the last six months, with a strengthened team reporting to the Executive.

Challenging environment affects some KPIs

The drought we've experienced this year has been one of the most severe on record, with just 63% of average rainfall over the summer and the second driest July. Although the temporary usage ban is no longer in place, we'll continue to work with customers and businesses to manage our water supply and demand.

The drought has had a significant impact on our water performance metrics. The persistent hot weather led to excessively dry ground, and the resulting movement in water pipes caused more leaks and bursts. Despite fixing over 30,000 leaks in the first six months our leakage target is going to be really challenging to achieve this year. In addition, the per capita consumption performance level does not yet reflect the full impact of the increase in water use during the summer, putting us off track for our target this year. To reduce water use, we've been running a campaign to highlight what we are doing to reduce leakage and what our customers can do to help make sure there's enough water for everyone.

Our water quality measure looks at potential risk and therefore helps identify areas of investment need. We've not achieved our target for this measure, with early warning sample failures at Hampton and Coppermills Water Treatment Works where we already have a programme of investment underway.

Our smart meter roll-out continues at speed with nearly 77,000 installed or replaced during the first six months, bringing our total to 900,000. Supported by our digital transformation, the use of smart meters is helping us and our customers become much more targeted in the management of water in the future and we're leading the way in the industry.

As well as the drought, the huge spikes in energy prices and significant inflationary pressures have had an impact on the business. As a regulated company, we've absorbed most of the increased costs, thereby mostly protecting our customers from this inflation. However, higher costs have impacted our financial performance.

As we deliver against our progressive and transparent stance on river health, we're on track to issue live sewage discharge alerts from over 460 permitted locations by the end of December. We've also reduced internal sewer flooding by almost 60% and total pollutions by 5% year-on-year, although our serious pollutions performance is disappointing. We've appointed new management to drive an improvement in this area. We're also increasing our work in high-risk areas, as we focus on reducing serious pollutions.

The need for systemic reform

While turning around the business is my most immediate priority, real change can only occur if urgent, radical, systemic reform is made across the entire industry. The dual challenges of population growth and climate change affect the entire sector and aren't going to abate anytime soon. The only way to implement real change is if we work together, to fix the problems of today while building the resilience needed for tomorrow. That is why, over recent months, I have been calling for real change built around three key pillars.

First, we need to look at water differently and put it at the heart of the planning regime. Drinking quality water shouldn't be used to flush toilets and wash cars – we should instead be using rainwater from roofs and patios. That means we need to work as an industry with regulators, customers, developers and government to change the way we approach new developments. And we need to raise water up the agenda, like we have with carbon.

Second, we need to reform the regulatory environment to encourage responsible, long-term investment into the sector. We all know water isn't a short-term need, yet our regulatory framework isn't aligned with that thinking. We should be looking way beyond five-year regulatory periods to be able to make the right, long-term investment decisions to secure resilience and water supplies. It is only through a long-term approach that we can ensure the problems we face today aren't faced in the decades to come.

And third, we need a new coordinated approach to expedite critical projects like the Thames Tideway Tunnel. We're on the final countdown to the landmark project going into operation and it's the culmination of years of planning and collaboration. It's such an important project for the Capital and is pushing new frontiers in the financing and delivery of infrastructure projects of this scale and shows what can be achieved when the government articulates an ambition and regulators and planners work hand-in-hand. This approach could also work for a strategic reservoir to supply our customers.

Engagement and working together

Building trust and working in positive collaboration with stakeholders is key to the delivery of our Purpose. I've had so many valuable conversations, with colleagues, customers, Government and river groups over the past six months, all of which play an integral role in our decision-making process.

As Thames is in a turnaround – and we're not yet delivering for customers, communities or the environment – so some of the conversations have been rightly challenging. They've also been really constructive. By changing the way, we engage we've been opening up more opportunities to work together with stakeholders in our region.

Thank you, Team Thames!

Finally, a massive thank you to Team Thames for the resilience they've shown during what I know has been, and continues to be, a challenging time. Trying to turn around a business the scale and size of Thames Water, against the backdrop of cost pressures and extreme external challenge, is certainly not easy, yet the team's passion to deliver their best for customers is so evident right across the business.

And I was so moved to see the team support customers and so many visitors from across the country during the National Mourning for Her Majesty Queen Elizabeth II. Our ambassadors covered 370 shifts through day and night, to make sure visitors to London and Windsor, including those in 'the queue', had access to drinking water through our new waterwalls.

Thank you so much to everyone. I hope to see you out and about soon.

Sarah Bentley

Sarah Bentley
Chief Executive Officer, Thames Water

Our turnaround plan

Fixing the basics

This continues to be our immediate priority and focuses on getting back on track with key metrics, as well as ensuring we have the right leadership to deliver the turnaround.

Strong leadership and culture

- With Norma Dove-Edwin, Digital Transformation Director, joining in May 2022, our almost entirely new Executive team is now in place. The new team was hired for their strong turnaround expertise, skills and behaviours
- 20 people join the leadership community (reporting to the Executive team) so we have the right skills, experience and behaviours to drive our turnaround. Changes to the team brings increased engineering expertise and a more diverse senior management team

Insight from the front line

- Launched 'Ask the Exec' virtual sessions, giving employees the opportunity to ask their questions direct to the Executive team
- Launched Hear For You live – a programme of engagement led by our CEO, Sarah Bentley, to visit colleagues from all sites across our business. These sessions create opportunities for employees to talk openly and constructively about the topics that matter most to them
- Board members continued to meet colleagues on the frontline as part of the Board's workforce engagement plan led by Independent Non-Executive Director, Ian Pearson. The programme uses front line insight to inform Board decision making

Extra support for customers

- Provided over £38 million of support through our WaterHelp social tariff and WaterSure schemes. Helped over 280,000 households with a 50% bill reduction through our WaterHelp social tariff, a 16% year-on-year increase
- Invested £500,000 in our independent trust fund, which helps fund debt support advice in our region. 461 customers have received a total of £100,000 of emergency fuel payments, food vouchers, debt advice and essential household goods, such as beds and washing machines. We continue to be a leading charitable supporter of debt advice in our region
- Provided £300,000 of support through our customer assistance fund, which helps customers with water debt by matching bill payments. During the first six months an additional 1,200 customers were helped through the scheme
- Over 317,000 customers are now on our priority services register, which means we can offer them extra support during emergencies

A focus on improving customer service

- Another huge reduction in household complaints, with a 43% year-on-year reduction. However, complaints performance is not yet translating into improved C-MeX
- Reduced backlogs by 29% (between 5 April and 4 Oct 2022)
- With the financial pressure on households and a shortage in availability of materials and labour, there were less new connections in the first half of the year - 5,196 compared to 6,755 at the same time last year
- Won Alliance or Partnership Initiative of the Year at the Water Industry Awards, 2022, together with the Greater London Authority, Affinity Water, TfL, Cadent, SGN, UK Power Networks, Network Rail for a collaborative programme to align critical infrastructure renewal schemes and minimise disruption to Londoners

Tackling leakage

- Increased activity to reduce leakage as drought in our region has a major impact on water metrics
- Fixed over 30,700 leaks between April and September – an average of 1,181 each week (April to September 2021: 29,095 leaks repaired)
- Laid 20 km of water mains, and a total of nearly 73 km since 2020
- Repaired over 4,200 water mains (September 2021: Over 3,000)
- Used our 23,600 acoustic loggers to detect 20.4 Ml/d of leakage and over 76,825 smart meters to fix 7.47Ml/d of leakage since the start of April 2022

Keeping our network flowing

- 5% reduction in total pollutions. Appointed new management and increasing focus in high-risk areas to reduce serious pollutions, which have increased during the year
- Cleaned over 850 km of sewers, as part of our proactive maintenance programme
- Cleared over 33,000 blockages, which are often due to wet wipes and other ‘unflushables’ being put down the drains and can cause sewer flooding (September 2021: >36,500)
- Cooperating fully with both Ofwat’s and the Environment Agency’s ongoing investigations into sewage discharges

Raising the bar

This strand focuses on transforming critical areas of the business, with investment in customer service, operations, people, assets and strategic planning.

Transform customer service

- Launched our new LivePerson channel so household customers can contact us by WhatsApp. It now accounts for 19% of the volumes of the voice channel
- Reduced overall contact volumes in billing by c.23% year-on-year – in part due to improved self-service options
- Invested more than £1 million in an awareness campaign to reduce water consumption during the drought and help customers save money off energy bills. It included partnering with LADbible to help reach a younger audience

Improving operations

- Piloted smart waste and water tools such as our Discharge Alert Monitor and low-cost small sewer monitors. Cleared over 2,700 blockages following detection by sewer level monitors
- Used drones to inspect sewers for the first time

Strategic planning

- Agreed our Vision for 2050 after engagement with customers, colleagues, stakeholders and the Board
- Agreed first draft of our strategic roadmap, to support the delivery of our Vision for 2050

Increasing the resilience of our assets

- Invested a record £808 million in assets in the first six months of the year
- New 'asset health' dashboard to support investment decisions in the most 'at risk' assets
- Investment in critical, and vulnerable, water mains
    - On track with major project to reline three 36" water mains in Seven Sisters. First phase of project was awarded Pipeline Industries Guild 2022 Utility Project of the year for use of the 'Die-Draw' technique to reline main with minimum disruption
    - Completed first stage of a major £45 million replacement of the Faringdon to Blunsdon water main
- Replaced 6,317 lead pipes increasing the total to 32,186 since 2020
- Publication of an independent report into the London flooding which found climate related flash flooding to be the cause of sewer flooding in July 2021. The recommendations of the report cover governance, funding, evidence, communications and strategic planning and we continue our collaboration with the parties responsible for drainage to improve flooding resilience

People

- Leader as Coach training roll-out continues, to develop leaders into front-line first, servant leaders, with a focus on active listening to support their teams
- Continued roll-out of Living our Values sessions, to reconnect Team Thames with the right behaviours to deliver the turnaround, improve engagement and make Thames a great place to work
- Embedding situational awareness campaign to improve health and safety
- 60 community-based people secured employment including prison leavers, those at risk of long-term unemployment and care leavers
- Currently have 230 apprentices across 31 programmes and awarded 'Top 100 Best Apprenticeship Employer'

Shape the future

This is about making the right decisions today to secure the future of our essential services. It's aligned to our Vision for 2050, covering the themes of customer, waste and rivers, water resources, energy and community impact.

Waste and rivers

- On track to deliver live sewage discharge alerts from over 460 permitted locations by the end of 2022
- Further reduction in spills, supported by favourable weather conditions - a leading cause of spills is too much rainwater entering our network
- Secured bathing water status for Wolvercote stream in April 2022, the second UK river to be given the elevated status. Achieved through Oxford Rivers Project collaboration
- Published our first draft Drainage and Wastewater Management Plan, a 25-year plan for drainage and wastewater management, which was open to public consultation until 22 September 2022

Water resources

- Temporary water usage ban put in place to protect water resources following a period of extreme drought. Working with customers and stakeholders to manage demand and secure water resources
- Continued rollout of our progressive smart meter programme, installing and replacing 76,825 more meters, leading to a total of over 900,000 installed so far. Smart meters are helping customers better understand and control their water use, leading to a 11.54 Ml/d reduction in demand
- Progressing our collaboration with Water Resources South East to secure a multi-sector regional resilience plan, to protect future water resources for customers. Opportunities include a new reservoir, water transfer and water recycling and 'gate 2' has now been submitted. The plan will feed into a wider national plan to build resilience and opportunities to collaborate

Energy

- Shareholders have set up a new Group of Ventures companies to maximise the potential of renewable energy generation and property development
- Reduced our overall electricity consumption by 4% to 400GWh compared to the same period the previous year. We generated 143GWh of renewable electricity at our operational sites and used 133GWh ourselves, covering 22% of our needs
- Trialling 10 bespoke electric vehicles, supported by charging infrastructure installed in participants' homes. These vans will supplement the 16 site-based electric vehicles already in use

Community impact and skills

- Completed installation of 100 water fountains across London, and launched mobile waterwalls to support major events, including the Queen's Jubilee
- Raised over £176,000 for charity partners Dementia UK and WaterAid
- Welcomed 1,250 people to some of our iconic sites over two weekends in September as part of London's Open House and Heritage Open Days

Our financial review
CFO, Alastair Cochran

As our turnaround builds momentum, the difficult macro-economic environment and extreme drought have impacted financial performance in the first half of the year.

Our turnaround plan is focused on significantly improving our operational performance, delivering our regulatory obligations, increasing resilience and delivering better outcomes for our customers, communities and the environment. Whilst we are continuing to make solid progress delivering this plan and fixing the basics, industry-wide headwinds have impacted our financial performance in the first half of the year. In particular, high inflation and drought has resulted in our cost base rising at a faster rate than CPIH.

In response, we have increased investment in our systems and assets to record levels, committed additional expenditure to reduce leakage, and increased support for our customers. We have also focused on effective cost management to mitigate the near-term impact of high inflation and have launched a new Energy Strategy to reduce our long-term exposure to volatile energy prices. Furthermore, regulatory mechanisms have continued to provide a degree of protection through the indexation of allowed revenue and regulatory capital value.

In this difficult macro-economic environment, revenue for the six months increased 3%, driven largely by higher tariffs. Cash collections remained stable in the period, despite the cost-of-living crisis, with no material deterioration in bad debts as we proactively supported customers in vulnerable circumstances by extending social tariffs. However, EBITDA fell year-on-year by £35m, reflecting inflationary pressures and the high level of operational incidents resulting from the drought across our region. Despite this, we have continued to ramp up our AMP7 capital delivery programme, investing £808 million to increase asset resilience.

Throughout this period, our shareholders have provided enormous support, foregoing external dividends, funding expenditure significantly in excess of regulatory allowances and recently committing additional equity to improve resilience.

Environment, Social and Governance (ESG)

ESG remains at the heart of our financial decision-making. In November, we launched our formal Climate Change Working Group to enhance the way we oversee climate risk and align with the Taskforce for Climate Related Financial Disclosures.

Our Sustainable Financing Framework (SFF) continues to help us raise funds to support our full ESG agenda, making sure our debt is aligned with our environmental and social responsibilities and that we're working together to build a better world for future generations. Going forward we anticipate issuing more bonds under the SFF, to finance and refinance eligible projects across multiple areas including renewable energy and pollution prevention and control. We will continue to report on the positive ESG-related impacts that the relevant bonds have contributed towards in our annual Impact Report, which is published on our website.

We also continue to tie in the interest cost on our main £1,646 million Revolving Credit Facility (RCF) to our sustainability performance, via our participation in the annual Infrastructure Global Real Estate Sustainability Benchmark (GRESB) assessment. GRESB is an independent external ESG benchmark that assesses the sustainability performance of real estate and infrastructure portfolios and assets worldwide. Our latest GRESB score is 92 out of 100, our highest score yet, which will lead to a small reduction in the standard margin paid on the RCF. As agreed, we will continue to pass on any financial gains to charitable causes, which have previously included several, environmentally focused school and community group projects across the area we serve.

Financial performance

Six months ended	30 September 2022			30 September 2021		
In £m	Underlying	BTL[1]	Total	Underlying	BTL	Total
Revenue	1,092.8	42.4	1,135.2	1,062.3	42.8	1,105.1
Operating expenses	(968.6)	(0.1)	(968.7)	(875.9)	(0.1)	(876.0)
Operating profit [2]	174.5	42.3	216.8	226.5	42.7	269.2
EBITDA	513.3	42.3	555.6	547.9	42.7	590.6
Net finance expense	(261.0)	–	(261.0)	(156.9)	–	(156.9)
Net gain/(loss) on financial instruments	580.0	–	580.0	(455.6)	–	(455.6)
Profit/(loss) before tax	493.5	42.3	535.8	(386.0)	42.7	(343.3)
Profit/(loss) after tax	331.7	65.9	397.6	(615.8)	34.6	(581.2)
Operating cash flow	581.8	0.6	582.4	524.7	3.0	527.7
Capital expenditure including intangibles	808.4	–	808.4	627.2	-	627.2
Net debt (statutory)	13,776.2	–	13,776.2	12,639.8	–	12,639.8
Dividends paid to immediate parent company	–	–	–	–	–	–
Distributions paid to external shareholders	–	–	–	–	–	–
Gearing (%)[3]	80.0	–	–	82.4	–	–
Credit Rating [4]	Baa2 (stable) / BBB (stable)			Baa2 (stable) / BBB+ (-ve)		

Our financial statements include the amounts billed in relation to the construction of the Thames Tideway Tunnel, which are passed to Bazalgette Tunnel Limited ("BTL"), the independent company responsible for the construction of the

[1] Refer to pages 40 to 41 for information about the Bazalgette Tunnel Limited ("BTL") arrangement

[2] Operating profit includes revenue and other operating income, offset by operating expenses

[3] Ratio of covenant net debt to Regulatory Capital Value ("RCV")

[4] Representing the consolidated Corporate Family Rating assigned by Moody's / S&P Class A debt of the securitisation group

tunnel. As this money is not retained by us, we exclude it from our underlying results.

Revenue

Our revenue primarily relates to the essential water and wastewater services we provide to our customers. Our economic regulator, Ofwat, determines the amounts we charge in our bills every five years through a price review process, which is driven by the costs we expect to incur to invest in and operate our business over that five-year regulatory period. Our current regulatory period covers 1 April 2020 to 31 March 2025 ("AMP7").

Underlying revenue for the six-month period ended 30 September 2022 increased by £31 million to £1,093 million 30 September 2021: £1,062 million). This increase was driven by higher allowed revenue and a continued recovery in non-household consumption post the easing of Covid-19 restrictions, partially offset by lower consumption by household customers.

Our total revenue for the six-month period ended 30 September 2022 increased by £30 million to £1,135 million (30 September 2021: £1,105 million).

Bad debt

Bad debt arises predominantly from those who choose not to pay their bill, despite being financially able to, as well as those who cannot pay. For the latter, we offer a range of support for people in financially vulnerable circumstances.

During the six-month period to 30 September 2022, the overall bad debt charge increased modestly to £36 million (30 September 2021: £35 million). This was primarily driven by a reduction in prior year cash collections, offset by the benefits from our debt transformation project.

The current period charge is split between a deduction of revenue of £24 million (30 September 2021: £23 million), and operating expenses of £12 million (30 September 2021: £12 million). Our total bad debt charge equates to 4.0% (30 September 2021: 3.9%) of total underlying household gross revenue. We are working diligently to reduce bad debt and have implemented a number of initiatives to reduce the overall charge as a percentage of gross revenue. However, in the short to medium term a decline in real wages is expected to negatively impact bad debts.

EBITDA

Our EBITDA for the six-month period ended 30 September 2022 was £556 million, a decrease of £35 million compared to the prior six-month comparative period. This was driven by higher net operating expenses (excluding depreciation and amortisation) exceeding revenue and other operating income growth.

The increase in operating expenses (excluding depreciation and amortisation) was primarily driven by:

- a £33 million increase in our power costs driven by very high power price inflation, which has impacted industries globally as well as our customers
- a £24 million increase in our employment costs as we invested to improve our service to customers and were impacted by the temporary change in National Insurance rate
- a £12 million increase in raw materials and consumables, driven by a significant increase in chemical prices due to high energy costs
- a £6 million increase in other miscellaneous expenses, driven by higher inflation and volume increases across numerous categories of spend, primarily relating to costs for contracted services and repairs and maintenance of assets

Underlying EBITDA, excluding amounts related to BTL, for the six-month period decreased by £35 million to £513 million (30 September 2021: £548 million).

Profit before tax

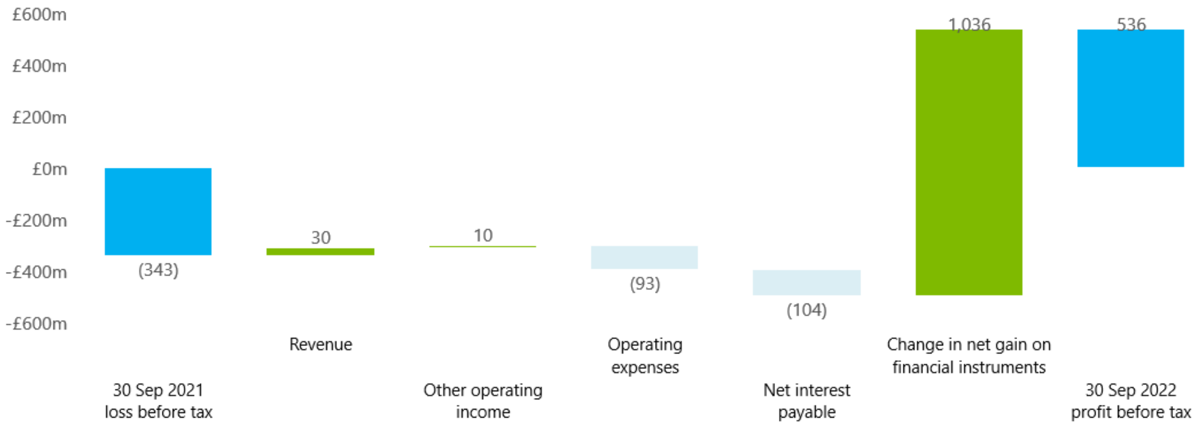
Our total profit before tax was £536 million in the first six months of the current financial year, an increase of £879 million compared to the prior period (30 September 2021: £343 million loss before tax). This year-on-year increase arose principally from non-cash net gains on financial instruments, which primarily consists of the following:

- a £1,225 million increase in net fair value gains on swaps, which primarily reflects higher interest rate expectations, offset by
- a £196 million increase in net exchange losses on foreign currency borrowings.

These swaps hedge interest rate risk, inflation risk and foreign exchange risk of our borrowings allowing us to better manage our overall financing risk in the face of volatile financial markets.

There has been an increase in our net finance expense of £104 million reflecting higher accretion on borrowings and higher interest expense, offset by higher capitalised borrowing costs. The remaining movement in our profit before tax was driven by the decline in operating profit in the period.

A summary of the movement in our Profit/(Loss) Before Tax (PBT)



Taxation

A tax charge of £138 million was recognised in the period comprising of a current tax credit of £34 million, reflecting the use of the Company's tax losses by other Group entities, and a deferred tax charge of £172 million which largely relates to the decrease in the cash flow hedge deferred tax asset following the movement in the fair values of derivatives.

The tax charge in the prior period included a £302 million deferred tax charge following the increase in the corporation tax rate from 19% to 25% which was enacted in May 2021.

It is our continued aim to be clear and transparent with our approach to tax. Our tax strategy is available on our website, and we've included more tax information in Our Finances Explained.

Profit after tax

Our profit after tax was £398 million for the first six months of the year, an increase of £979 million compared to the prior period (30 September 2021: £581 million loss).

Operating cash flow

Our operating cash flow for the six-month period to 30 September 2022 was £582 million, an increase of £54 million compared to the prior period (30 September 2021: £528 million), driven primarily by a reduction in working capital.

Capital expenditure

In the first six months of the year, we invested £808 million (30 September 2021: £627 million) in our assets, including £111 million related to capitalised borrowing costs. The material year on year increase reflected the planned increase in investment in our infrastructure to increase resilience in our network, improve environmental performance and help mitigate the dual impacts of climate change and population growth.

Capital expenditure for the first half of the financial year included:

- £193 million invested through our in-house Capital Delivery vehicle, including: £24 million on Water distribution mains replacement and rehabilitation in London and the Thames Valley; £18 million on the installation of new Water Trunk mains, including the Faringdon to Blunsdon route; £7 million invested on our Pressure Management Programme; and £6m associated with the HS2 scheme
- £107 million invested through our Infrastructure Alliance on our Water Network to reduce leakage and improve our trunk main network
- £60 million on major projects, including £27 million on upgrading our major sewage treatment works at Beckton
- £19 million on connecting our network to the Thames Tideway Tunnel, including £9 million on the Beckton Inlet works
- £38 million on our Metering Programme

Dividends

During the six-month period ended 30 September 2022, no dividends were paid to Thames Water Utilities Holdings Limited ("TWUHL"), our immediate parent company (30 September 2021: £nil). No distributions were made to external shareholders of the group, who own shares in our ultimate parent company, Kemble Water Holdings Limited.

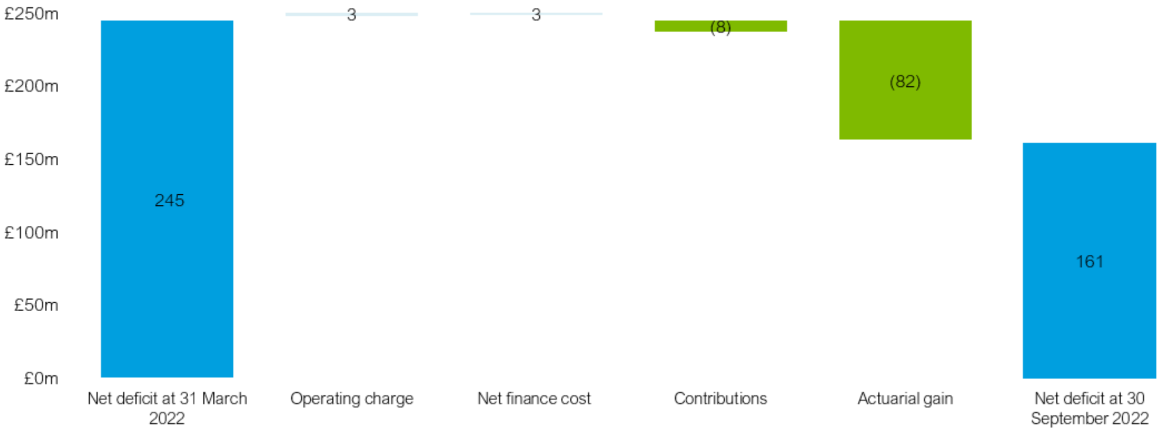
Pensions

We operate three pension schemes for our employees; a defined contribution scheme, which we contributed £14 million (30 September 2021: £13 million) to during the six-month period; and two independently administered defined benefit schemes, both of which are closed to new employees. These two schemes are the Thames Water Pension Scheme ("TWPS") and Thames Water Mirror Image Pension Scheme ("TWMIPS"). TWPS was closed to future accrual as of 31 March 2021.

In the financial year 2019/20, we completed the triennial valuation dated 31 March 2019 for our two defined benefit pension schemes. The next triennial valuation based on the 31 March 2022 position is currently in progress. Our defined benefit schemes' accounting valuation has been updated to 30 September 2022 on our behalf by independent consulting actuaries, Hymans Robertson LLP. The total net pension deficit for the two schemes as at 30 September 2022 was £161 million (31 March 2022: £245 million). The decrease in deficit was due to changes in actuarial financial assumptions occurring across all industries, including an increase in the discount rate due to higher corporate bond yields, which has resulted in an actuarial gain.

We have been taking measures to reduce the overall deficit by making regular contributions and deficit repair payments and, as part of the last triennial valuation dated 31 March 2019, a recovery plan was agreed with the trustees aimed at reducing the deficit to zero by 2027. In FY20/21, there was an exceptional £70 million payment relating to the deficit repayment plan, which covered the remaining deficit payments agreed during AMP7. No further deficit repayment is due this financial year.

A summary of the movement in the Defined Benefit Pension Scheme



Credit ratings

Under the terms of our Instrument of Appointment, we are required to maintain investment grade credit ratings, as assigned by external rating agencies. This supports our ability to access efficiently priced debt across a range of markets to fund our investment programmes, whilst keeping bills affordable for our customers.

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 (30 September 2021: Baa2 with stable outlook), our securitisation group companies' senior secured (Class A) debt rating continuing as Baa1 with stable outlook (30 September 2021: Baa1 with stable outlook) and our subordinated (Class B) debt rating continuing as Ba1 with stable outlook (30 September 2021: Ba1 with stable outlook).

In September 2022, S&P lowered the ratings of the Company's Class A debt to BBB (30 September 2021: BBB+) and Class B debt to BB+ (30 September 2021: BBB-), with stable outlook (30 September 2021: negative outlook). The stable outlook reflects S&P's expectation that credit metrics will gradually improve through the current regulatory period.

Financing our investments

As we are investing heavily in the business, we continue to focus on diversifying our sources of funding and maintaining a balanced debt maturity profile.

In the six month period ended 30 September 2022, the Company has further strengthened its financing position:

- in the first quarter of the current financial year we entered into a total of £300 million loan facilities, consisting of £150 million Class B maturing in April 2029, £100 million Class A maturing in May 2029 and £50 million Class B maturing in August 2025, all of which have been drawn down in August or September 2022
- in August 2022, we agreed US private placement transactions comprising a total of $432 million in USD tranches and a total of £258 million in GBP tranches, which were drawn down in November 2022. Cross currency swaps

were also entered into for the USD tranches, swapping USD for GBP

- in September 2022 we had drawn the £100 million Class B loan facility maturing in September 2028, this facility was initially entered into in September 2021

As at 30 September 2022, the TWUL Group had £1,290 million of cash and undrawn bank facilities readily available to it. In addition, TWUL Group also has £550 million of undrawn liquidity facilities which can only be drawn in limited circumstances. The facilities are renewed in August every year.

In the six month period ended 30 September 2022, in addition to the facility drawdowns mentioned above, the following amounts have been drawn down under bank facilities:

- £400 million (net of repayments) of the RCF

Since 31 March 2022, the following debt has been repaid:

- £63.1 million Class A floating rate loan, in April 2022
- £11.9 million of a £63.1 million Class A floating rate loan, in April 2022
- £50 million Class A floating rate loan, in May 2022
- €135 million (accreted notional) Class A index-linked bond, in July 2022
- £300 million Class B fixed rate bond called in September 2022

During October and November 2022, a net £300.0 million of Class A Revolving Credit Facilities drawdowns were repaid and a total of £370.7 million of Class B Revolving Credit Facilities drawdowns were repaid.

In November 2022:

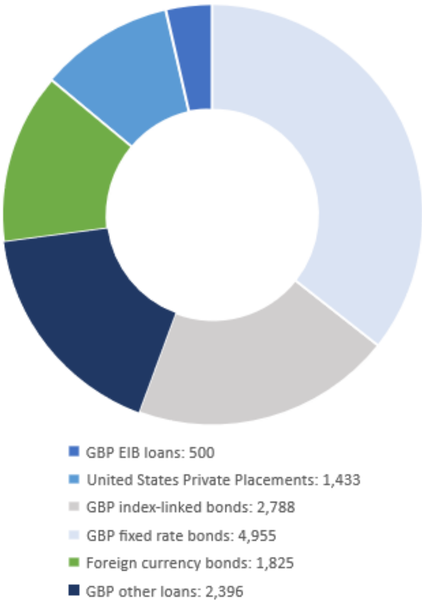
- £622.7 million equivalent proceeds were received from the US private placement transactions mentioned above.
- the Group entered into a £900 million revolving credit facility and a £100 million term loan facility, both maturing in May 2026 which remains undrawn.
- the Group entered into a total of £1.0 billion notional index-linked swaps with a 10 year maturity. These swaps help manage inflation risk and effectively convert existing debt which was issued at a fixed nominal rate into a fixed real rate with the underlying principal amount linked to inflation. All of the swaps transacted are structured to pay the inflation accretion amount at maturity.

In December 2022, the Group entered into a £98.5 million Class A term loan facility maturing in December 2029 and a £65 million Class B term loan facility maturing in December 2027, both of which remain undrawn.

As part of our ongoing work on financial resilience, we have considered the continued impact of cost of living, higher power prices and adverse weather on the Group's ongoing financial performance with a particular focus on operating cashflows.

As detailed in the Going Concern statement, in a severe but plausible downside scenario where expected shareholder contributions of £500 million are received, we remain compliant with relevant financial covenants and show significant liquidity headroom for a period of at least 12 months from the date of signing of the condensed financial statements.

Borrowings carrying value £m



Financial Instruments

Our borrowings, revenue and totex ("total expenditure") are exposed to fluctuations in the external market such as changes in interest rates, inflation and foreign exchange rates.

We manage these exposures by entering into derivative contracts to hedge against future changes in these rates. We only use derivatives for risk management and both the debt and derivative contracts are generally held until maturity, so there is no cash impact due to market value changes.

We have approximately £11 billion of derivative financial instruments (face value). A total net gain on financial instruments of £580 million was recognised in the income statement during the six-month period ended 30 September 2022 (30 September 2021: £456 million net loss on financial instruments).

The gain has arisen primarily due to higher interest rate expectations as well as the depreciation of GBP against USD, EUR and CAD as compared to 31 March 2020.

Gearing

As we continue to invest in the business, significantly beyond the Final Determination ("FD") allowances, our statutory net debt (as defined on page 53) increased by £841 million to £13,776 million (31 March 2022: £12,935 million).

In the second half of the current financial year, we expect approximately £500 million of equity injections, funded by shareholders, to be made into TWUL.

The increase in net debt was accompanied by an increase in the Regulatory Capital Value ("RCV") of £1,226 million to £17,867 million (31 March 2022: £16,641 million), meaning that overall gearing (on a covenant basis), as at 30 September 2022, was 80.0% (31 March 2022: 80.6%), below the covenant maximum of 95%. The decrease in gearing reflects a number of factors including the growth in RCV as a result of high inflation.

Our financial statements

Condensed consolidated financial statements

Statement of Directors' responsibilities in respect of the interim report and condensed consolidated financial statements

The Directors confirm that the interim report and condensed consolidated financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of interim consolidated financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The above Statement of Directors' Responsibilities was approved by the Board of Directors 2 December 2022 and signed on its behalf by:

Alastair Cochran
Chief Financial Officer

Clearwater Court
Vastern Road
Reading
Berkshire
RG1 8DB

Independent review report to Thames Water Utilities Limited

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Thames Water Utilities Limited's condensed consolidated interim financial statements (the "interim financial statements") in the Interim report 2022/23 of Thames Water Utilities Limited for the 6 month period ended 30 September 2022 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the condensed consolidated statement of financial position as at 30 September 2022;
- the condensed consolidated income statement and condensed consolidated statement of other comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended;
- the accounting policies; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim report 2022/23 of Thames Water Utilities Limited have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion – What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim report 2022/23 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with this ISRE. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Interim report 2022/23, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Interim report 2022/23 in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and the terms of its licence under the Water Industry Act 1991 which requires the Company to report as if it had issued equity share capital listed on the London Stock Exchange. In preparing the Interim report 2022/23, including the interim financial statements, the directors are responsible for assessing the group'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 group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Interim report 2022/23 based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and the terms of its licence under the Water Industry Act 1991 and for no other purpose. We do not, in giving this conclusion, 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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
Reading
4 December 2022

Condensed consolidated income statement

For the six-month period ended 30 September

		2022			2021		
		Underlying	BTL	Total	Underlying	BTL	Total
	Note	£m	£m	£m	£m	£m	£m
Revenue	2	1,092.8	42.4	1,135.2	1,062.3	42.8	1,105.1
Operating expenses excluding impairment losses on financial and contract assets	4	(956.8)	-	(956.8)	(863.9)	-	(863.9)
Impairment losses on financial and contract assets	4	(11.8)	(0.1)	(11.9)	(12.0)	(0.1)	(12.1)
Total operating expenses		**(968.6)**	**(0.1)**	**(968.7)**	**(875.9)**	**(0.1)**	**(876.0)**
Other operating income	3	50.3	-	50.3	40.1	-	40.1
Operating profit		**174.5**	**42.3**	**216.8**	**226.5**	**42.7**	**269.2**
Finance income	5	70.7	-	70.7	66.1	-	66.1
Finance expense	5	(331.7)	-	(331.7)	(223.0)	-	(223.0)
Net gains/(losses) on financial instruments	5	580.0	-	580.0	(455.6)	-	(455.6)
Profit/(loss) on ordinary activities before taxation		**493.5**	**42.3**	**535.8**	**(386.0)**	**42.7**	**(343.3)**
Tax (charge)/credit on profit/(loss) on ordinary activities	6	(161.8)	23.6	(138.2)	(229.8)	(8.1)	(237.9)
Profit/(loss) for the period		**331.7**	**65.9**	**397.6**	**(615.8)**	**34.6**	**(581.2)**

The Group activities above are derived from continuing activities.

Bazalgette Tunnel Limited ("BTL") is an independent company, appointed in 2015 to construct the Thames Tideway Tunnel. We have recognised revenue, cost and profit on the arrangement with BTL and have disclosed our underlying performance separately as required by some of our financial covenants. Information on how the Group accounts for this arrangement is detailed in the accounting policies on pages 40 to 41.

The accounting policies included within this interim report and condensed consolidated financial statements are an integral part of these condensed financial statements and should be read in conjunction with the accounting policies included in the Thames Water Annual Report and Sustainability Report 2021/22.

Condensed consolidated statement of other comprehensive income

For the six-month period ended 30 September

		2022			2021		
	Note	Underlying £m	BTL £m	Total £m	Underlying £m	BTL £m	Total £m
Profit/(loss) for the period		331.7	65.9	397.6	(615.8)	34.6	(581.2)
Other comprehensive income/(expense)							
Will not be reclassified to the income statement:							
Net actuarial gain/(loss) on pension schemes	14	81.7	-	81.7	(97.1)	-	(97.1)
Deferred tax (charge)/credit on net actuarial gain/ (loss) including impact of tax rate change in prior period	13	(19.3)	-	(19.3)	60.3	-	60.3
May be reclassified to the income statement:							
Cash flow hedges transferred to income statement	12	11.5	-	11.5	18.3	-	18.3
Deferred tax charge on cash flow hedge gains less impact of tax rate change in prior period	13	(2.2)	-	(2.2)	(0.1)	-	(0.1)
Other comprehensive income/(expense) for the period		71.7	-	71.7	(18.6)	-	(18.6)
Total comprehensive income/(expense) for the period		403.4	65.9	469.3	(634.4)	34.6	(599.8)

The accounting policies included within this interim report and condensed consolidated financial statements are an integral part of these condensed financial statements and should be read in conjunction with the accounting policies included in the Thames Water Annual Report and Sustainability Report 2021/22.

Bazalgette Tunnel Limited ("BTL") is an independent company, appointed in 2015 to construct the Thames Tideway Tunnel. We have recognised revenue, cost and profit on the arrangement with BTL and have disclosed our underlying performance separately as required by some of our financial covenants. Information on how the Group accounts for this arrangement is detailed in the accounting policies on pages 40 to 41.

Condensed consolidated statement of financial position

As at

	Note	30 September 2022 Underlying £m	30 September 2022 BTL £m	30 September 2022 Total £m	31 March 2022 Underlying £m	31 March 2022 BTL £m	31 March 2022 Total £m
Non-current assets							
Intangible assets		274.9	-	274.9	284.8	-	284.8
Property, plant and equipment	8	17,432.6	-	17,432.6	16,949.8	-	16,949.8
Investment property		50.0	-	50.0	50.0	-	50.0
Right-of-use assets		42.8	-	42.8	45.8	-	45.8
Derivative financial assets	12	781.9	-	781.9	169.2	-	169.2
Intercompany loans receivable		1,693.4	-	1,693.4	1,693.4	-	1,693.4
Prepayments	9	1.2	345.3	346.5	-	308.8	308.8
Insurance and other receivables	9	41.9	-	41.9	45.6	-	45.6
Pension surplus	14	1.7	-	1.7	12.0	-	12.0
		20,320.4	**345.3**	**20,665.7**	**19,250.6**	**308.8**	**19,559.4**
Current assets							
Inventories		17.0	-	17.0	13.0	-	13.0
Intercompany loans receivable		23.6	-	23.6	8.4	-	8.4
Contract assets	9	250.4	8.3	258.7	251.0	8.5	259.5
Trade receivables	9	657.5	28.1	685.6	301.9	14.0	315.9
Prepayments	9	64.8	-	64.8	36.9	-	36.9
Other receivables and amounts owed by group undertakings	9	53.8	-	53.8	36.4	1.0	37.4
Derivative financial assets	12	11.0	-	11.0	22.9	-	22.9
Cash and cash equivalents		258.6	5.8	264.4	419.8	5.2	425.0
		1,336.7	**42.2**	**1,378.9**	**1,090.3**	**28.7**	**1,119.0**
Current liabilities							
Contract liabilities	10	(500.1)	(15.4)	(515.5)	(125.1)	(2.0)	(127.1)
Trade and other payables		(686.2)	(18.0)	(704.2)	(649.2)	(49.2)	(698.4)
Borrowings	11	(1,273.7)	-	(1,273.7)	(749.2)	-	(749.2)
Lease liabilities		(6.7)	-	(6.7)	(6.2)	-	(6.2)
Derivative financial liabilities	12	(221.0)	-	(221.0)	(103.0)	-	(103.0)
Provisions for liabilities and charges		(7.5)	-	(7.5)	-	-	-
		(2,695.2)	**(33.4)**	**(2,728.6)**	**(1,632.7)**	**(51.2)**	**(1,683.9)**
Net current (liabilities)/assets		**(1,358.5)**	**8.8**	**(1,349.7)**	**(542.4)**	**(22.5)**	**(564.9)**
Non-current liabilities							
Contract liabilities	10	(874.7)	-	(874.7)	(831.8)	-	(831.8)
Borrowings	11	(12,706.2)	-	(12,706.2)	(12,547.5)	-	(12,547.5)
Lease liabilities		(54.0)	-	(54.0)	(57.1)	-	(57.1)
Derivative financial liabilities	12	(1,786.5)	-	(1,786.5)	(2,238.7)	-	(2,238.7)
Deferred tax liabilities	13	(1,240.2)	-	(1,240.2)	(1,046.4)	-	(1,046.4)
Provisions for liabilities and charges		(191.7)	-	(191.7)	(185.0)	-	(185.0)
Pension deficit	14	(162.7)	-	(162.7)	(257.3)	-	(257.3)
		(17,016.0)	-	(17,016.0)	(17,163.8)	-	(17,163.8)
Net assets		**1,945.9**	**354.1**	**2,300.0**	**1,544.4**	**286.3**	**1,830.7**
Equity							
Called up share capital		29.0	-	29.0	29.0	-	29.0
Share premium		100.0	-	100.0	100.0	-	100.0
Cash flow hedge reserve		(23.9)	-	(23.9)	(33.2)	-	(33.2)
Revaluation reserve		808.8	-	808.8	820.1	-	820.1
Retained earnings		1,032.0	354.1	1,386.1	628.5	286.3	914.8
Total equity		**1,945.9**	**354.1**	**2,300.0**	**1,544.4**	**286.3**	**1,830.7**

Condensed consolidated statement of financial position (continued)

Bazalgette Tunnel Limited ("BTL") is an independent company, appointed in 2015 to construct the Thames Tideway Tunnel. We have recognised amounts in the Statement of Financial Position in relation to the arrangement with BTL and have disclosed our underlying amounts separately as required by some of our financial covenants. Information on how the Group accounts for this arrangement is detailed in the accounting policies on pages 40 to 41.

The accounting policies included within this interim report and condensed consolidated financial statements are an integral part of these condensed financial statements and should be read in conjunction with the accounting policies included in the Thames Water Annual Report and Sustainability Report 2021/22. The condensed interim consolidated financial statements for Thames Water Utilities Limited, registered in England & Wales company number 02366661, were approved by the Board of Directors on 2 December 2022 and signed on its behalf by:

Alastair Cochran
Chief Financial Officer

Condensed consolidated statement of changes in equity

For the six-month period ended 30 September

	Note	Called up share capital £m	Share premium £m	Cash flow hedge reserve £m	Revaluation reserve £m	Retained earnings £m	Total equity £m
1 April 2021		29.0	100.0	(59.7)	903.1	1,822.2	2,794.6
Loss for the period		-	-	-	-	(581.2)	(581.2)
Cash flow hedge transferred to the income statement	12	-	-	18.3	-	-	18.3
Deferred tax charge on cash flow hedge less impact of tax rate change	13	-	-	(0.1)	-	-	(0.1)
Net actuarial loss on pension scheme	14	-	-	-	-	(97.1)	(97.1)
Deferred tax credit on net actuarial loss including impact of tax rate change	13	-	-	-	-	60.3	60.3
Total comprehensive expense		-	-	18.2	-	(618.0)	(599.8)
Transfer of depreciation[1]		-	-	-	(5.1)	5.1	-
Deferred tax on depreciation transfer including impact of tax rate change[1]		-	-	-	(65.6)	65.6	-
30 September 2021		29.0	100.0	(41.5)	832.4	1,274.9	2,194.8
Loss for the period		-	-	-	-	(392.1)	(392.1)
Cash flow hedge transferred to the income statement	12	-	-	12.8	-	-	12.8
Deferred tax charge on cash flow hedge including impact of tax rate change	13	-	-	(4.5)	-	-	(4.5)
Net actuarial gain on pension scheme	14	-	-	-	-	74.2	74.2
Deferred tax charge on net actuarial gain	13	-	-	-	-	(48.5)	(48.5)
Impact of tax rate change in respect of net actuarial gain	13	-	-	-	-	31.1	31.1
Total comprehensive expense		-	-	8.3	-	(335.3)	(327.0)
Transfer of depreciation[1]		-	-	-	(16.4)	16.4	-
Deferred tax on depreciation transfer[1]		-	-	-	4.1	(4.1)	-
Dividends paid	7	-	-	-	-	(37.1)	(37.1)
31 March 2022		29.0	100.0	(33.2)	820.1	914.8	1,830.7
Profit for the period		-	-	-	-	397.6	397.6
Cash flow hedge transfer to the income statement	12	-	-	11.5	-	-	11.5
Deferred tax charge on cash flow hedge	13	-	-	(2.2)	-	-	(2.2)
Net actuarial gain on pension scheme	14	-	-	-	-	81.7	81.7
Deferred tax charge on net actuarial gain	13	-	-	-	-	(19.3)	(19.3)
Total comprehensive income		-	-	9.3	-	460.0	469.3
Transfer of depreciation[1]		-	-	-	(16.5)	16.5	-
Deferred tax on depreciation transfer[1]		-	-	-	5.2	(5.2)	-
30 September 2022		29.0	100.0	(23.9)	808.8	1,386.1	2,300.0

[1] The movement between the revaluation reserve and retained earnings arises from the depreciation and associated deferred tax on the fair value uplift on assets.

The accounting policies included within this interim report and condensed consolidated financial statements are an integral part of these condensed financial statements and should be read in conjunction with the accounting policies included in the Thames Water Annual Report and Sustainability Report 2021/22.

Condensed consolidated statement of cash flows

For the six month period ended 30 September

	2022			2021		
	Underlying £m	BTL £m	Total £m	Underlying £m	BTL £m	Total £m
Operating activities:						
Profit/(loss) for period	331.7	65.9	397.6	(615.8)	34.6	(581.2)
Less finance income	(70.7)	-	(70.7)	(66.1)	-	(66.1)
Add finance expense excluding interest on lease liabilities	330.1	-	330.1	221.4	-	221.4
Add interest expense on lease liabilities	1.6	-	1.6	1.6	-	1.6
(Less)/Add net gains/(losses) on financial instruments	(580.0)	-	(580.0)	455.6	-	455.6
Add/(less) taxation on profit/(loss) on ordinary activities	161.8	(23.6)	138.2	229.8	8.1	237.9
Operating profit	174.5	42.3	216.8	226.5	42.7	269.2
Depreciation on property, plant and equipment	303.2	-	303.2	292.5	-	292.5
Amortisation of intangible assets	32.3	-	32.3	26.9	-	26.9
Depreciation of right of use assets	3.3	-	3.3	2.0	-	2.0
Add loss on sale of property, plant and equipment	-	-	-	(0.2)	-	(0.2)
Difference in pension charge and cash contribution	(5.9)	-	(5.9)	(1.0)	-	(1.0)
(Increase)/decrease in inventory	(4.0)	-	(4.0)	1.0	-	1.0
Increase in trade and other receivables	(380.4)	(49.6)	(430.0)	(371.5)	(55.0)	(426.5)
Decrease/(increase) in contract assets	0.6	0.2	0.8	(24.5)	(2.7)	(27.2)
Increase/(decrease) in trade and other payables	26.3	(5.7)	20.6	(47.2)	3.4	(43.8)
Increase in contract liabilities	417.9	13.4	431.3	416.4	14.6	431.0
Increase in provisions	14.0	-	14.0	3.8	-	3.8
Net cash generated by operating activities	581.8	0.6	582.4	524.7	3.0	527.7
Investing activities:						
Purchase of property, plant and equipment	(786.0)	-	(786.0)	(594.9)	-	(594.9)
Purchase of intangible assets	(22.4)	-	(22.4)	(32.3)	-	(32.3)
Proceeds from sale of property, plant and equipment	-	-	-	0.6	-	0.6
Interest received	33.6	-	33.6	40.4	-	40.4
Net cash used in investing activities	(774.8)	-	(774.8)	(586.2)	-	(586.2)
Financing activities:						
New loans raised[1]	1,818.5	-	1,818.5	1,616.6	-	1,616.6
Repayment of borrowings[1]	(1,570.0)	-	(1,570.0)	(1,772.7)	-	(1,772.7)
Repayment of lease principal	(4.7)	-	(4.7)	(5.3)	-	(5.3)
Derivative settlement[2]	(96.9)	-	(96.9)	-	-	-
Interest paid	(111.2)	-	(111.2)	(174.0)	-	(174.0)
Net fees (paid)/received	(3.9)	-	(3.9)	6.8	-	6.8
Net cash generated/(used) in financing activities	31.8	-	31.8	(328.6)	-	(328.6)
Net decrease in cash and cash equivalents	(161.2)	0.6	(160.6)	(390.1)	3.0	(387.1)
Net cash and cash equivalents at beginning of period	419.8	5.2	425.0	490.9	3.6	494.5
Net cash and cash equivalents at end of period	258.6	5.8	264.4	100.8	6.6	107.4

[1] Refer to the Note 11 Borrowings on page 53 for more information.
[2] Derivative settlement of £96.9 million (six-month period ended 30 September 2021: £nil) consists of £92.7 million relating to index-linked swaps where accretion is payable/receivable periodically and £4.2 million relating to settlement of cross currency swaps.

Condensed consolidated statement of cash flows (continued)

Bazalgette Tunnel Limited ("BTL") is an independent company, appointed in 2015 to construct the Thames Tideway Tunnel. Included in the cashflow are amounts in relation to the arrangement with BTL and therefore our underlying amounts are disclosed separately as required by some of our financial covenants. Information on how the Group accounts for this arrangement is detailed in the accounting policies on pages 40 to 41.

The accounting policies included within this interim report and condensed consolidated financial statements are an integral part of these condensed financial statements and should be read in conjunction with the accounting policies included in the Thames Water Annual Report and Sustainability Report 2021/22.

Accounting policies

General information

Thames Water Utilities Limited (“the Company”) is a private limited company incorporated in England & Wales and domiciled in the United Kingdom. The trading address and address of the registered office is Clearwater Court, Vastern Road, Reading, RG1 8DB. The consolidated condensed financial statements have been reviewed, not audited.

The Company’s principal activity is that of an appointed water and wastewater services provider, including acting as a retailer for household customers in London, the Thames Valley and surrounding area in accordance with its licence of appointment. The Company is also an intermediate holding company within the Kemble Water Holdings Limited Group of companies (“the Kemble Water Holdings Group”).

The Thames Water Utilities Limited Group (“the Group”) includes the Company and its sole subsidiary Thames Water Utilities Finance Plc (“TWUF”).

Statement of compliance

These consolidated interim condensed financial statements of the Group have been prepared on the basis of the policies set out in the March 2022 Annual Report in accordance with the requirements of the Companies Act 2006 and the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom’s Financial Conduct Authority.

The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and do not comprise statutory financial statements within the meaning of section 434 of the Companies Act 2006. They should be read in conjunction with the Annual Report and Sustainability Report for the year ended 31 March 2022 which were prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The auditors’ report on those financial statements was unqualified and did not contain any statement under section 498(2) (accounting records or returns inadequate or accounts or Directors’ remuneration report not agreeing to records and returns), or section 498(3) (failure to obtain necessary information and explanations).

Principal risks and uncertainties

Following review our principal risks, as disclosed in the Thames Water Annual Report and Sustainability Report 2022/23, remain largely unchanged. However, the risk landscape remains challenging due to the on-going cost-of-living crisis, inflation rate increases and the summer drought event which has caused additional stress on our water and wastewater networks. Additionally, there are further challenges around the risk of damage and flooding of the wastewater network, supply interruptions and visible leakage on our water network.

We continue to invest in our infrastructure to increase our capacity and improve network resilience, as well as allocating additional funding to support our leakage detection programme, however we are facing legal and regulatory challenges including in-flight investigations by Ofwat and the EA.

Accounting policies (continued)

Principal risks and uncertainties (continued)

Pressure remains on our financial position due to challenges in cash and debt collection. In the wake of the ongoing cost-of-living crisis with inflation and interest rate increases, we continue to support customers that face financial hardship and are unable to pay their water bill.

In addition, we are experiencing increased disruption within our supply chain, including shortage of critical chemical supplies in UK/Europe (a sector-wide issue that is being monitored at a national level) and unprecedented price increases across key components of our cost base (power and chemicals). Looking ahead, we anticipate continued rises in power prices due to market volatility. Inflationary pressures are expected to continue into FY24, impacting our cost base and our cash collection rate.

Basis of preparation

The condensed interim consolidated financial statements for the six months ended 30 September 2022, set out on pages 30 to 36, 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.

Going concern

In assessing the appropriateness of the going concern basis, the Directors have considered a range of factors under both a base case and a plausible but severe downside including; liquidity, cashflow projections and covenant compliance and based on this they are satisfied that it is appropriate that the financial statements are prepared on a going concern basis.

The Group's liquidity position and cashflow projections are closely monitored and updated regularly. Mitigating measures are also continually reviewed and actioned where appropriate. The Group has adequate liquidity headroom based on financial resources in the form of cash, committed bank facilities. As of 30 September 2022, such liquidity consisted of £263 million of cash and cash equivalents, access to £1.8 billion of revolving credit facilities of which £1.0 billion was undrawn and £550 million of undrawn liquidity facilities (the latter of which can only be used in limited circumstances). This is in addition to the £500 million equity commitment which can be drawn in March 2023, as described below. Additional loan facilities in aggregate of £1.16 billion have been put in place over the course of November and December 2022. Furthermore, during the pandemic, the Group continued to efficiently access capital markets. As per the terms of the Whole Business Securitisation, the Group is subject to financial covenants, assessed based on cash interest cover and gearing ratios. With headroom being present under the gearing ratios, the interest cover ratios are more the limiting factor and are mainly affected by operational cashflows.

In June 2022, to support Thames Water in the delivery of its updated business plan, shareholders have provided an Equity Commitment Letter where they have agreed to contribute, or cause to be contributed, an aggregate of £500 million in equity, available to be drawn in full by the Group in March 2023, alongside an Equity Support Letter which sets out further Shareholder support.

Accounting policies (continued)

Going concern (continued)

Given the equity commitment of £500 million has been approved by shareholders' investment committees, is not subject to any performance-related conditions and can be drawn in March 2023, the Directors believe it reasonable that the £500 million of equity support can be taken into account for the going concern assessment, which considers the impact of a severe but plausible downside scenario.

Given the economic uncertainty associated with various macro factors such as Covid-19, supply chain constraints, and cost of living concerns, a severe but plausible downside case has been considered where the ability of household customers to pay their bills has been adversely affected. This would result in lower collection rates, higher bad debt charges and to a lesser extent lower billable volumes in the non-household sector due to reduced economic activity and consumption. Furthermore, the downside case assumes higher operational costs associated with various efficiency programmes not being delivered, higher power prices and adverse weather. To lessen the impact on operational cashflows, various mitigations are available which include, but are not limited to, active working capital management. Under the various scenarios, the business remains compliant with the relevant financial covenants and shows liquidity headroom for a period of at least 12 months from the date of signing of the condensed financial statements.

The going concern assessment also takes into account inflation linked swaps with a notional value of around £1.0 billion with maturities of 10 years transacted post the balance sheet date of 30 September 2022. These swaps help manage inflation risk and effectively convert existing debt, which was issued at a fixed nominal rate, into a fixed real rate with the underlying principal amount linked to inflation. All of the swaps transacted are structured to pay the inflation accretion amount at maturity.

The Directors have also considered the consequences of a temporary Trigger Event, a feature of the Group's Whole Business Securitisation ("WBS") structure. Consequences include, but are not limited to, a cash lockup and a prohibition from incurring additional debt other than utilisations from the existing bank facilities. The Trigger Event acts as an early warning sign that is structured to provide additional creditor protections. It is designed to maintain the Group's creditworthiness as such, it does not affect the Group's continued access to its significant existing bank facilities nor would it disrupt the Group's ability to trade. The cash lockup preserves the value of the Group which is in the interest of creditors and customers. Whilst prohibited from accessing new funding, the Group has significant bank facilities which the Directors believe are sufficient to fund its programme and meet its obligations for the duration of a temporary Trigger Event over the assessment period.

Based on the above, the Board is satisfied that the Group has adequate resources, for a period of at least 12 months from the date of approval of the condensed financial statements, to continue operations and discharge its obligations as they fall due. For this reason, the Board considers it appropriate to adopt the going concern basis in preparing the financial statements.

Accounting policies (continued)

Basis of consolidation

The Group's consolidated financial statements consolidate the financial statements of the Company and its sole subsidiary. A subsidiary is an entity over which the Group has control. The Group has control over an entity where the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the power over the entity to affect those returns. Refer to the 'General information' section for information on the Group.

Change in tax rate

For Interim reporting, the Group uses a forecast effective tax rate for the full year to 31 March 2023, applied to the profits earned in the six months to 30 September 2022. A change in UK tax rate was substantially enacted during the prior period, which affects deferred tax on temporary differences which are expected to unwind after 1 April 2023. In the prior period, the Group chose to treat the change in tax rate as a discrete additional item in the six month period. The alternative approach would have involved estimating a forecast effective annual tax rate, including the impact of the change in tax rate on estimated year end deferred tax balances, and applying that rate to Interim balances. Having adopted this accounting policy in the prior period, no further amounts are shown in the income statement or reserves in respect of the change in UK tax rate on deferred tax balances (prior period: £302.1 million charge to the Income Statement, as well as a credit to reserves of £39.7 million).

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").

The Group 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 transition has largely been completed, although some transactions with LIBOR references have not yet transitioned.

Refer to the IBOR reform section included in Note 12 Fair value of financial instruments on page 59 for details of all of the financial instruments that the Group holds at 30 September 2022 which contain references to GBP LIBOR which have not yet transitioned to SONIA or an alternative interest rate benchmark.

Bazalgette Tunnel Limited ("BTL") arrangement

Bazalgette Tunnel Limited ("BTL") is an independent company, appointed in 2015 to construct the Thames Tideway Tunnel. We have recognised revenue, cost and profit on the arrangement with BTL and disclosed our underlying performance separately, as required by some of our financial covenants. The arrangement with BTL and Ofwat means the Group has included amounts to recover costs of the Thames Tideway Tunnel within its bills to wastewater customers. As cash is collected, these amounts are subsequently paid to BTL, under the 'pay when paid' principle.

Accounting policies (continued)

Accounting standards require the Group to present the amounts billed as revenue in our financial statements, and with an associated cost representing bad debt on amounts billed, this also gives rise to reporting profit which is taxable. This non-appointed revenue, cost and profit are excluded from our key performance indicators, which is consistent with our financial covenants. The revenue, cost and resulting profit on this arrangement is disclosed separately to the Group's underlying performance in the financial statements. As a result of this arrangement, a prepayment is created and recorded by the Group as BTL will transfer the use of the tunnel to Thames Water Utilities Limited once construction is complete, against which this prepayment will be utilised.

Long Term Incentive Plan (LTIP) 2022/25

In reviewing the LTIP 2022/25, the Remuneration Committee has ensured it continues to focus on delivering critical elements of our stretching business plan. 50% of the targets are focused on the delivery of an overarching "Integrated Performance Assessment" measured using the Return on Regulated Earnings (RORE). This assessment provides a measure of successful delivery for customer, the environment and shareholders since it is impacted by all aspects of our business plan. We have retained measures pertaining to C-MEX, Leakage and Water Quality (CRI) but have replaced the previous Pollutions measure with one related to River Health (Pollutions remains an element of the Annual Management Bonus). In order to ensure the LTIP supports delivery of the business plan, it is critical it is explicitly linked to the performance period's outcomes. The Board continues to work with the Executive Team on the plan, and the LTIP will be confirmed once the plan is approved.

Future standards and amendments

IAS 12 – Income Taxes

Amendments have been published 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 and scope of these amendments.

Significant accounting judgements and key sources of estimation uncertainty

The preparation of interim financial statements requires the Group to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied in the Annual Report and Sustainability Report for the year ended 31 March 2022.

Seasonality and cyclic nature of operations

Fluctuations in the billing cycle across the year impact balances reported in our Statement of Financial Position, see Note 9 Trade and other receivables and Note 10 Contract liabilities for further information.

Notes to the condensed consolidated financial statements

1. Segmental analysis

Segmental information is reported internally on a monthly basis to the Executive Committee. The Executive Committee is responsible for the day-to-day running of the business and consequently the Executive Committee is considered to be the Chief Operating Decision Maker ("CODM") of the Group.

In line with the Group's structure all operational functions are included in a single business unit, enabling an end-to-end view of customer journeys and integrated resource management. Certain operational costs are split regionally by London and the Thames Valley and Home Counties, however revenue, overheads and capital expenditure are reported at the group level.

The Group is subject to economic regulation by Ofwat and operates under a licence to provide water and wastewater services within a defined geographical region, being London, the Thames Valley and the surrounding area, therefore management considers the UK to be the geographical location of business.

From 1 April 2017, our customer profile changed following the sale of our non-household retail business to Castle Water Limited. The household customer profile remains large and diverse and consequently there is no significant reliance on any single household customer. There is now a far smaller number of non-household customers, being retailers rather than the end user and we have one customer that accounts for more than 10% of our total revenue.

Revenue is further disaggregated into the different products and services, as detailed in note 2.

Notes to the condensed consolidated financial statements (continued)

1. Segmental analysis (continued)

Segmental performance

EBITDA is a key performance metric used by management. A segmental analysis of EBITDA and the management revenue figures has been presented with a reconciliation to statutory revenue and profit/(loss) before tax below:

For the six month period ended 30 September	2022 £m	2021 £m
Management revenue	1,116.7	1,085.4
Net operating expenses before depreciation and amortisation	(652.9)	(576.4)
Other operating income	4.9	4.4
Management EBITDA	**468.7**	**513.4**
IFRS 16 adjustment[1]	4.8	3.1
Statutory recognition of other operating income[2]	35.4	25.6
Statutory reclassification of pension costs[3]	(2.8)	1.0
Household BTL revenue[4]	35.0	36.3
Non-household BTL revenue[4]	7.6	6.7
Other statutory adjustments[5]	6.9	4.5
Statutory EBITDA	**555.6**	**590.6**
Depreciation of property, plant and equipment	(303.2)	(292.5)
Depreciation of right-of-use assets	(3.3)	(2.0)
Amortisation of intangible assets	(32.3)	(26.9)
Total statutory operating profit before finance income/expenses	**216.8**	**269.2**
Finance income	70.7	66.1
Finance expense	(331.7)	(223.0)
Net gains/(losses) on financial instruments	580.0	(455.6)
Total statutory profit/(loss) before tax	**535.8**	**(343.3)**

[1] The management numbers do not recognise any balances associated with IFRS 16, and all leases are recognised in the management numbers as an expense when incurred.
[2] Requisitions and diversion charges, service connection charges, amortisation of deferred income recognised on adoption of assets at nil cost and the release from deferred income of infrastructure charges are recognised in other operating income for statutory purposes (as disclosed in note 3) but are offset against capital expenditure for management purposes. Elements of other income are also excluded for management purposes.
[3] Contributions made into the defined benefit pension schemes are recognised on an accruals basis. To ensure the accounting is in line with IAS 19, any accruals made for contributions are reversed and are recognised on a cash basis for statutory purposes.
[4] The portion of BTL revenue related to our household and non-household customers. This excludes a bad debt charge of £0.2 million (six-month period ended 30 September 2021: £0.2 million) recognised within revenue in the Income Statement.
[5] These amounts relate to provisions and other statutory only adjustments not included in management numbers.

Notes to the condensed consolidated financial statements (continued)

1. Segmental analysis (continued)

Revenue – Management to statutory reconciliation

The business segment's revenue is reconciled to the Group's statutory revenue below:

For the six month period ended 30 September	2022 £m	2021 £m
Management revenue	1,116.7	1,085.4
Household BTL revenue	35.0	36.3
Non-household BTL revenue	7.6	6.7
Statutory reclassification of bad debt from operating expenditure[1]	(24.1)	(23.3)
Total statutory revenue	**1,135.2**	**1,105.1**

[1] This relates to amounts billed that are not probable of being recovered and therefore excluded from statutory revenue in line with the requirements of IFRS 15 revenue. In the current six-month period ended 30 September 2022, £23.9 million relates to management revenue (six-month period ended 30 September 2021: £23.1 million) and £0.2 million relates to BTL revenue (six-month period ended 30 September 2021: £0.2 million).

2. Revenue

For the six month period ended 30 September	2022			2021		
	Underlying £m	BTL £m	Total	Underlying £m	BTL £m	Total £m
Gross revenue	1,116.7	42.6	1,159.3	1,085.4	43.0	1,128.4
Charge for bad and doubtful debts	(23.9)	(0.2)	(24.1)	(23.1)	(0.2)	(23.3)
Total	**1,092.8**	**42.4**	**1,135.2**	**1,062.3**	**42.8**	**1,105.1**

Bazalgette Tunnel Limited ("BTL") is responsible for the construction of the Thames Tideway Tunnel. The Group has included costs of the Thames Tideway Tunnel within its bills to wastewater customers. As cash is collected it is paid over to BTL under the 'pay when paid' principle. The revenue on this arrangement has been disclosed separately to the Group's underlying performance in the table above, which is consistent with our financial covenants.

Notes to the condensed consolidated financial statements (continued)

2. Revenue (continued)

We have presented a further disaggregation of our revenue below:

Gross revenue for the six month period ended 30 September	2022 £m	2021 £m
Household market:		
Water services	367.0	350.5
Wastewater services	466.8	472.5
Retail services	58.6	76.3
Total gross revenue from household market	892.4	899.3
Non-household market:		
Water services	105.6	86.5
Wastewater services	97.1	78.1
Retail services	0.5	0.6
Total gross revenue from non-household market	203.2	165.2
Gross revenue from principal services[1]	1,095.6	1,064.5
Other appointed revenue[2]	9.0	8.3
Total appointed revenue	1,104.6	1,072.8
Other non-appointed revenue (excluding amounts billed for the Thames Tideway Tunnel) [3]	12.1	12.6
Total gross underlying revenue	1,116.7	1,085.4
Amounts billed for the Thames Tideway Tunnel	42.6	43.0
Total gross revenue	1,159.3	1,128.4

All revenue is derived from activities based in the UK.

[1] Gross revenue from principal services relates to appointed revenue which is revenue generated from the regulated activities of the Company as defined in Condition A of its licence of appointment. These are activities necessary in order for a company to fulfil the function and duties of a water and sewerage undertaker under the Water Industry Act 1991.
[2] Other appointed revenue is revenue generated from appointed activities but is not governed by the price control. These activities mainly include bulk supplies.
[3] Non-appointed revenue is revenue generated from non-appointed activities. These activities include third-party discharges to sewage treatment works and other commercial activities including developer services, property searches and cess treatment (treatment of waste from private receptacles not linked to the network).

Notes to the condensed consolidated financial statements (continued)

3. Other operating income

The Group has recognised the following amounts relating to other operating income in the income statement since they are separate to our ongoing obligation to provide water and wastewater services to customers:

For the six month period ended 30 September	2022 £m	2021 £m
Power income[1]	6.5	6.3
Requisitions and diversions charges	17.6	11.0
Service connections charges	8.4	9.3
Amortisation of deferred income recognised on adoption of assets at nil cost	2.4	2.0
Release from deferred income – infrastructure charges	2.7	2.7
Rental income	4.3	4.2
Profit on sale of property, plant and equipment	-	0.2
Other income[2]	8.4	4.4
Total	50.3	40.1

[1] Power income comprises income from the sale of internally generated electricity.
[2] Other income includes £3.4 million (six-month period ended 30 September 2021: £3.9 million) relating to excess payments received from customers in the past and recognised in the consolidated income statement during the current period and £3.7 million (six-month period ended 30 September 2021: £nil) for third party contributions received relating to the relocation of the Guildford sewage treatment works.

Notes to the condensed consolidated financial statements (continued)

4. Operating expenses

For the six month period ended 30 September	2022			2021		
	Underlying £m	BTL £m	Total £m	Underlying £m	BTL £m	Total £m
Wages and salaries	179.7	-	179.7	164.0	-	164.0
Social security costs	20.4	-	20.4	17.4	-	17.4
Pension costs – defined benefit schemes	2.9	-	2.9	2.7	-	2.7
Pension costs – defined contribution schemes	13.8	-	13.8	13.3	-	13.3
Severance costs and apprenticeship levy	5.5	-	5.5	0.8	-	0.8
Total employee costs	**222.3**	**-**	**222.3**	**198.2**	**-**	**198.2**
Power	111.8	-	111.8	78.8	-	78.8
Raw materials and consumables	37.8	-	37.8	26.3	-	26.3
Rates	58.2	-	58.2	60.5	-	60.5
Research and development expenditure	1.7	-	1.7	2.6	-	2.6
Insurance	27.1	-	27.1	24.6	-	24.6
Legal and professional fees	9.3	-	9.3	11.8	-	11.8
Other operating costs[1]	276.9	-	276.9	250.4	-	250.4
Own work capitalised	(127.1)	-	(127.1)	(110.7)	-	(110.7)
Net operating expenses before depreciation and amortisation	618.0	-	618.0	**542.5**	**-**	**542.5**
Depreciation of property, plant and equipment	303.2	-	303.2	292.5	-	292.5
Depreciation of right-of-use assets	3.3	-	3.3	2.0	-	2.0
Amortisation of intangible assets	32.3	-	32.3	26.9	-	26.9
Net operating expenses excluding impairment losses on financial and contract assets	956.8	-	956.8	**863.9**	**-**	**863.9**
Impairment losses on financial and contract assets	11.8	0.1	11.9	12.0	0.1	12.1
Total operating expenses	**968.6**	**0.1**	**968.7**	**875.9**	**0.1**	**876.0**

[1]Other operating costs primarily relate to costs for contracted services and repairs and maintenance of assets, including associated labour costs, which are not shown within employee costs above and do not qualify as capital expenditure under IAS 16: *Property, plant and equipment*.

5. Finance income and expense and net gains/(losses) on financial instruments

During the six months ended 30 September 2022, the Group recognised finance income of £70.7 million (Six months ended 30 September 2021: £66.1 million) relating mainly to interest on swaps and intercompany loans receivable.

The Group also recognised finance expenses of £331.7 million (Six months ended 30 September 2021: £223.0 million) relating mainly to interest and accretion on borrowings, interest on defined benefit pension obligations and interest on lease liabilities.

Notes to the condensed consolidated financial statements (continued)

5. Finance income and expense and net gains/(losses) on financial instruments (continued)

For the six month period ended 30 September	2022 £m	2021 £m
Finance income[1]	70.7	66.1
Finance expense	(331.7)	(223.0)
Net finance expense	**(261.0)**	**(156.9)**

[1] Included within finance income for the comparative six months ended 30 September 2021 was £11.0 million relating to fees received on the novation or restructure of index-linked swaps that were undertaken during the comparative period.

Net gains/(losses) on financial instruments

The reconciliation to net gains/(losses) on financial instruments has been provided below:

For the six month period ended 30 September	2022 £m	2021 £m
Net exchange losses on foreign currency borrowings	(224.8)	(28.9)
Net gains/(losses) arising on swaps where hedge accounting is not applied[1]	816.3	(408.4)
Loss on cash flow hedge transferred from equity[2]	(11.5)	(18.3)
Net gains/(losses) on financial instruments	**580.0**	**(455.6)**

[1] Gains arising on swaps where hedge accounting is not applied primarily reflects higher interest rate expectations and depreciation of GBP against USD, EUR and CAD.
[2] Refer to note 12 "Fair value of financial instruments" on page 56 for more information on the loss on cash flow hedge transferred from equity.

6. Taxation

For the six month period ended 30 September	2022			2021		
	Underlying £m	BTL £m	Total £m	Underlying £m	BTL £m	Total £m
Current tax:						
Amounts (receivable)/payable in respect of group relief[1]	(34.1)	-	(34.1)	1.9	8.1	10.0
Adjustments in respect of prior periods[2]	23.6	(23.6)	-	-	-	-
	(10.5)	**(23.6)**	**(34.1)**	**1.9**	**8.1**	**10.0**
Deferred tax:						
Origination and reversal of timing differences	172.3	-	172.3	(73.8)	-	(73.8)
Impact of corporation tax rate change	-	-	-	302.1	-	302.1
Adjustments in respect of prior periods	-	-	-	(0.4)	-	(0.4)
	172.3	**-**	**172.3**	**227.9**	**-**	**227.9**
Tax charge/(credit) on profit/(loss) on ordinary activities	**161.8**	**(23.6)**	**138.2**	**229.8**	**8.1**	**237.9**

[1] The Group has net tax losses for the six months to 30 September 2022 and expects to sell these to group companies at the standard rate of corporation tax for £34.1 million. In the prior period, the Group bought tax losses from its parent company for £10.0 million, paid for at the standard rate of corporation tax.
[2] The profits of BTL are taxable. Previously, a tax charge has been shown for BTL on all its profits. In some years, when the underlying business has tax losses, these losses are used to cover the profits of BTL; in this situation, BTL does not pay the underlying business for the tax losses used, as they arise in the same company. BTL shows a prior year adjustment which reverses current tax charges booked in prior years, where they relate to tax losses provided by the underlying business; the corresponding current tax credit shown for the underlying business has also been adjusted. Similarly, no tax charge is shown on the current year profits of BTL as they are covered by tax losses from the underlying business.

Notes to the condensed consolidated financial statements (continued)

6. Taxation (continued)

The corporation tax charge is based upon the standard rate of corporation tax in the UK of 19% (six-month period ended 30 September 2021: 19%). The interim corporation tax charge for the six month period ended 30 September 2022 is based on the forecast effective tax rate for the full year to 31 March 2023 applied to the profits earned in the six months to 30 September 2022. The effect of the corporation tax rate change to 25% in the prior period (see below) on timing differences as at 30 September 2022 and 2021 which are expected to unwind after 1 April 2023 has then been included.

The Group is not currently in a cash tax paying position with HMRC (although it does pay for group relief on taxable profits), primarily due to capital allowances on capital expenditure, tax deductions for borrowing costs and, for the prior period, group relief which has arisen on interest expenses in holding companies.

The tax charge for the six month period ended 30 September 2022 is higher (2021: charge is higher) than the standard rate of corporation tax in the UK. The differences between profit/(loss) on ordinary activities before taxation at the standard tax rate and the total tax charge/(credit) for the period are explained below:

For the six month period ended 30 September	2022			2021		
	Underlying	BTL	Total	Underlying	BTL	Total
	£m	£m	£m	£m	£m	£m
Profit/(loss) on ordinary activities before taxation	493.5	42.3	535.8	(386.0)	42.7	(343.3)
Current tax charge/(credit) at 19% (six-month period ended 30 September 2021: 19%)	93.8	8.0	101.8	(73.3)	8.1	(65.2)
Effects of:						
Disallowable expenditure	3.4	-	3.4	2.1	-	2.1
Non-taxable income including property disposals	(1.5)	-	(1.5)	(0.7)	-	(0.7)
Impact of "super-deduction" allowance on capital expenditure	(3.1)	-	(3.1)	-	-	-
Effect of tax losses bought for less than the standard tax rate [2]	8.0	(8.0)	-	-	-	-
Tax as adjusted for recurring items	100.6	-	100.6	(71.9)	8.1	(63.8)
Impact of tax rate change on temporary differences impacting income statement [3]	-	-	-	302.1	-	302.1
Impact of tax rate change on timing differences in the period [4]	37.6	-	37.6	-	-	-
Adjustments in respect of prior periods – current tax [2]	23.6	(23.6)	-	-	-	-
Adjustments in respect of prior periods – deferred tax	-	-	-	(0.4)	-	(0.4)
Total tax charge / (credit)	161.8	(23.6)	138.2	229.8	8.1	237.9

[3] In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate would increase from 19% to 25%. The increase to 25% was substantively enacted on 24 May 2021. Therefore, its effects on deferred tax were included in the financial statements for the prior period in respect of timing differences as at 30 September 2021 which were expected to unwind after 1 April 2023.

[4] Timing differences at 31 March 2022 which were previously expected to unwind after 1 April 2023 had deferred tax provided at the rate of 25%. Some of these, predominantly deferred tax assets in respect of cash flow hedges, have now reversed in the current period. The reduction in the corresponding deferred tax asset results in an increase in the tax charge for the period.

Notes to the condensed consolidated financial statements (continued)

7. Dividends

During the six months ended 30 September 2022, the Company paid no dividends (year ended 31 March 2022: £37.1 million; six months ended 30 September 2021: £nil) to its immediate parent Thames Water Utilities Holdings Limited (“TWUHL”).

Dividends paid during previous periods were ultimately used to fund interest obligations and activities of other group companies within the Kemble Water Holdings Group and were distributed as follows:

	Six months ended 30 September 2022 £m	Year ended 31 March 2022 £m	Six months ended 30 September 2021 £m
Distribution to external shareholders:			
External dividend distributions	-	-	-
	-	-	-
Distributions not distributed to external shareholders:			
Kemble Water Finance Limited debt service costs	-	35.1	-
Distribution to Thames Water Limited	-	2.0	-
	-	37.1	-
Total	-	37.1	-

The aggregate amount of dividends proposed but not paid nor recognised as liabilities at the period end is £nil (31 March 2022: £nil).

Distributions to Kemble Water Finance Limited (“KWF”) in the prior year were paid to TWUHL and then distributed to KWF. These were used to enable the company to continue to meet its debt service obligations for external debt and external debt of a subsidiary of KWF, Thames Water (Kemble) Finance Plc, which have been lent to KWF via intercompany loans debt. Dividends paid to Thames Water Limited in the prior year were used to fund activities of the company.

External shareholders above is referring to shareholders of Kemble Water Holdings Limited (“Kemble”).

Notes to the condensed consolidated financial statements (continued)

8. Property, plant and equipment

	Land & buildings[1] £m	Plant & equipment £m	Network assets £m	Assets under construction £m	Total £m
Cost:					
At 1 April 2021	3,735.1	8,355.6	8,399.8	2,718.7	23,209.2
Additions	-	0.6	37.3	1,233.8	1,271.7
Transfers between categories	236.0	641.0	647.4	(1,524.4)	-
Disposals	(1.5)	(145.6)	(22.8)	-	(169.9)
At 31 March 2022	3,969.6	8,851.6	9,061.7	2,428.1	24,311.0
Additions	-	0.1	16.6	769.3	786.0
Transfers between categories	52.1	346.5	205.8	(604.4)	-
Disposals	-	(0.7)	-	-	(0.7)
At 30 September 2022	4,021.7	9,197.5	9,284.1	2,593.0	25,096.3
Accumulated Depreciation:					
At 1 April 2021	(1,098.2)	(4,905.3)	(903.4)	-	(6,906.9)
Depreciation charge	(72.0)	(404.0)	(147.7)	-	(623.7)
Disposals	1.5	144.2	23.7	-	169.4
At 31 March 2022	(1,168.7)	(5,165.1)	(1,027.4)	-	(7,361.2)
Depreciation charge	(35.6)	(193.4)	(74.2)	-	(303.2)
Disposals	-	0.7	-	-	0.7
At 30 September 2022	(1,204.3)	(5,357.8)	(1,101.6)	-	(7,663.7)
Net book value at 31 March 2022	2,800.9	3,686.5	8,034.3	2,428.1	16,949.8
Net book value at 30 September 2022	2,817.4	3,839.7	8,182.5	2,593.0	17,432.6

[1] Within Land and Buildings are £45.4 million of land and buildings acquired as part of the construction of Thames Tideway Tunnel under long leaseholds. The buildings acquired were presented within Land and Buildings within our Property, plant and equipment disclosure note as at 31 March 2021. Whilst these leases meet the definition of Right-of-use assets, because these are in substance purchases of leasehold property and to remain consistent with prior periods, these continue to be recognised within Land and Buildings as at 30 September 2022.

Notes to the condensed consolidated financial statements (continued)

9. Trade and other receivables

Non-current

As at	30 September 2022			31 March 2022		
	Underlying	BTL	Total	Underlying	BTL	Total
	£m	£m	£m	£m	£m	£m
Prepayments	1.2	345.3	346.5	-	308.8	308.8
Insurance claims receivable	26.8	-	26.8	35.4	-	35.4
Other receivables	15.1	-	15.1	10.2	-	10.2
Insurance and other receivables	**41.9**	**-**	**41.9**	**45.6**	**-**	**45.6**
Total[1]	**43.1**	**345.3**	**388.4**	**45.6**	**308.8**	**354.4**

Current

As at	30 September 2022			31 March 2022		
	Underlying	BTL	Total	Underlying	BTL	Total
	£m	£m	£m	£m	£m	£m
Gross trade receivables	800.8	32.0	832.8	448.7	17.7	466.4
Less expected credit losses provision	(143.3)	(3.9)	(147.2)	(146.8)	(3.7)	(150.5)
Trade receivables[2]	**657.5**	**28.1**	**685.6**	**301.9**	**14.0**	**315.9**
Prepayments	64.8	-	64.8	36.9	-	36.9
Other receivables	34.6	-	34.6	35.9	1.0	36.9
Amounts owed by group undertakings	-	-	-	0.5	-	0.5
Amounts receivable in respect of group relief	19.2	-	19.2	-	-	-
Contract assets	250.4	8.3	258.7	251.0	8.5	259.5
Total	**1,026.5**	**36.4**	**1,062.9**	**626.2**	**23.5**	**649.7**

[1] Non-current prepayments at 30 September 2022 of £345.3 million (31 March 2022: £308.8 million) relate to the Bazalgette Tunnel Limited ("BTL") arrangement. The prepayment is created and recorded by the Group as BTL will transfer the use of the tunnel to Thames Water Utilities Limited once construction is complete, against which this prepayment will be utilised.
[2] The TWUL billing cycle means that the timing of bills for unmeasured customers results in a large increase in the net trade receivables balance of £369.7 million to £685.6 million (31 March 2022: £315.9 million). This balance will reduce over the second half of the year.

Contract assets at 30 September 2022 include £182.6 million (31 March 2022: £183.8 million) of unbilled services provided to metered customers. Included within this amount is £5.5 million of bad debt (31 March 2022: £4.6 million). The remaining amount is for accrued capital contributions and accrued income from the BTL arrangement.

10. Contract liabilities

The TWUL billing cycle means that the timing of bills for unmeasured customers results in a large increase in the deferred income at the interim balance sheet date, being the primary driver for the increase in current contract liabilities of £388.4 million to £515.5 million (31 March 2022: £127.1 million). This balance will reduce over the second half of the year. Additionally, within this balance there is a decrease in receipts in advance from customers for water and wastewater charges of £50.8 million to £23.2 million (31 March 2022: £74.0 million).

Non-current contract liabilities have increased by £42.9 million to £874.7 million (31 March 2022: £831.8 million). The main driver is an increase in nil cost "adopted" assets and infrastructure charges received in the year.

Notes to the condensed consolidated financial statements (continued)

11. Borrowings

As at	30 September 2022 £m	31 March 2022 £m
Secured bank loans and private placements	4,318.4	3,441.1
Bonds	9,521.5	9,691.0
Amounts owed to Group undertakings	5.5	5.5
	13,845.4	**13,137.6**
Interest payable on borrowings	134.5	159.1
Total	**13,979.9**	**13,296.7**
Disclosed within non-current liabilities	12,706.2	12,547.5
Disclosed within current liabilities	1,273.7	749.2
Total	**13,979.9**	**13,296.7**

During the six months ended 30 September 2022, the Group had drawn a total of £1,820.7 million (£1,818.5 million net of fees) debt including £1,420.7 million relating to revolving credit facilities and £400.0 million (£397.8 million net of fees) relating to term loan facilities. The Group also repaid £1,570.0 million debt including £1,020.7 million relating to revolving credit facilities and £549.3 million relating to bonds and loans.

Secured bank loans, private placements and bonds are in an arrangement whereby each Obligor (representing each of the companies within the whole business securitisation group) has entered into a Security Trust and Intercompany Deed ("STID") with the Security Trustee. Pursuant to this arrangement, Thames Water Utilities Holdings Limited has guaranteed the obligations of each other Obligor under the finance agreement. Additionally, Thames Water Utilities Limited, and its wholly owned subsidiary TWUF, have guaranteed the obligations of each other under the finance agreement, in each case to the Security Trustee.

The capital structure of the Group consists of net debt and equity as follows:

As at	30 September 2022 £m	31 March 2022 £m
Secured bank loans and private placements	(4,318.4)	(3,441.1)
Bonds	(9,521.5)	(9,691.0)
Lease liability	(60.7)	(63.3)
Amounts owed to Group undertakings	(5.5)	(5.5)
Interest payable on borrowings	(134.5)	(159.1)
	(14,040.6)	**(13,360.0)**
Cash and cash equivalents	264.4	425.0
Net debt (statutory basis)	**(13,776.2)**	**(12,935.0)**

Notes to the condensed consolidated financial statements (continued)

11. Borrowings (continued)

Reconciliation to net debt (covenant basis):		
Interest payable on borrowings	134.5	159.1
Amounts owed to Group undertakings	5.5	5.5
Unamortised debt issuance costs and discount	(79.7)	(79.7)
Relevant derivative financial liabilities (Accretion and FX)	(591.9)	(583.9)
Unamortised IFRS 9 adjustment	23.5	23.8
Cash not relevant/(relevant) for covenant	(0.7)	0.8
Net debt (covenant basis)	(14,285.0)	(13,409.4)
Equity attributable to owners of the Group	(2,300.0)	(1,830.7)

Net debt (covenant basis) excludes accrued interest, amounts owed to group undertakings, unamortised debt issuance costs and discounts, unamortised IFRS 9 adjustment; and includes relevant derivative financial liabilities related solely to the accretion on index-linked swaps and the effect of movement in foreign exchange rates on cross currency swaps held in the Group and cash to be adjusted for covenants (which is based on cash and investments whereas accounting definition adjusts for other items). Amounts owed to group undertakings include loans from immediate parent Thames Water Utilities Holdings Limited £5.2 million (31 March 2022: £5.2 million) and from the parent of the immediate parent Thames Water Limited £0.3 million (31 March 2022: £0.3 million).

Notes to the condensed consolidated financial statements (continued)

12. Fair value of financial instruments

Categories of financial instruments

The carrying values of the financial assets and liabilities of the Group are as follows:

Financial assets:

As at	30 September 2022 £m	31 March 2022 £m
Fair value through profit and loss:		
Cross currency swaps	371.0	82.1
Interest rate swaps	394.3	34.1
Index-linked swaps	27.6	75.9
Cash and cash equivalents – money market funds	256.4	411.5
	1,049.3	**603.6**
Amortised cost:		
Intercompany loans receivable	1,717.0	1,701.8
Insurance and other receivables	41.9	45.6
Trade and other receivables	720.2	353.3
Cash and cash equivalents – short term investments	4.0	-
Cash and cash equivalents – cash at bank and in hand	4.0	13.5
	2,487.1	**2,114.2**
Total	**3,536.4**	**2,717.8**

Financial liabilities:

As at	30 September 2022 £m	31 March 2022 £m
Fair value through profit and loss:		
Cross currency swaps	(19.1)	(125.1)
Interest rate swaps	(437.8)	(140.8)
Index-linked swaps	(1,550.6)	(2,075.8)
	(2,007.5)	**(2,341.7)**
Amortised cost:		
Trade and other payables (excluding other taxation and social security)	(683.8)	(689.5)
Borrowings	(13,979.9)	(13,296.7)
Lease liabilities	(60.7)	(63.3)
	(14,724.4)	**(14,049.5)**
Total	**(16,731.9)**	**(16,391.2)**

Fair value measurements

The fair value of financial assets and liabilities represents the price that would be received to sell an asset or paid to transfer a liability between informed and willing parties, other than in a forced or liquidation sale at the measurement date. The techniques for determining the fair value of financial instruments are classified under the hierarchy defined in IFRS 13 Fair Value Measurement which categorises inputs to valuation techniques into levels 1-3 based on the degree to which the fair value is observable.

Notes to the condensed consolidated financial statements (continued)

12. Fair value of financial instruments (continued)

Level 1: Quoted prices in active markets for identical assets or liabilities that can be accessed.
Level 2: Significant inputs other than within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Inputs for the assets or liabilities that are not based on observable market data and require management assumptions or inputs from unobservable markets.

Unless otherwise stated, all of the Group's inputs to valuation techniques are level 2 – the fair value is determined from inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Cash and cash equivalents – money market funds are classified as level 1. The fair values of interest rate and index-linked swaps are determined, in part, from unobservable inputs but the use of these unobservable inputs does not significantly impact the result. As a result, we have concluded that it is appropriate to continue to classify the derivative instruments as level 2. There were no transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments. The table below sets out the valuation basis of financial instruments (excluding money market funds which are classified as level 1) held at fair value through profit or loss as at 30 September 2022:

	Level 2[1]	
As at	30 September 2022 £m	31 March 2022 £m
Financial assets – derivative financial instruments		
Cross currency swaps	371.0	82.1
Interest rate swaps	394.3	34.1
Index-linked swaps	27.6	75.9
	792.9	192.1
Financial liabilities – derivative financial instruments		
Cross currency swaps	(19.1)	(125.1)
Interest rate swaps	(437.8)	(140.8)
Index-linked swaps	(1,550.6)	(2,075.8)
	(2,007.5)	(2,341.7)
Net total	(1,214.6)	(2,149.6)

[1] The fair value of derivative financial instruments, including interest rate swaps, cross currency swaps and index-linked swaps are measured using discounted cash flows of all of the transactions within each netting set. The future cash flows are estimated based on observable forward interest rates and inflation rates and future fair values are estimated under a wide range of market scenarios and discounted at a rate that reflects the credit risk of the Group and counterparties.

During the six months ended 30 September 2022, £11.5 million (six-month period ended 30 September 2021: £18.3 million) was recycled from the cash flow hedge reserve to the income statement, see "Condensed consolidated statement of changes in equity" on page 34. The amounts recognised on cash flow hedge reserve are recycled to income statement as phased release over the relevant hedging period and where the related debt has been issued and has not matured.

Notes to the condensed consolidated financial statements (continued)

12. Fair value of financial instruments (continued)

In November 2019, the maturity date of three index linked swaps, with a total notional value of £400.0 million, were extended. These swaps are measured at fair value through the income statement. At the restructuring date the fair value of these instruments, as indicated by their fair value immediately prior to the restructuring, could not be supported by observable inputs alone. In management's view the reduction in value of £38.0 million at the restructuring date is supported by unobservable factors including the counterparty's credit, capital, funding and trading charges. Therefore, such movement was deferred on the balance sheet in compliance with IFRS 9 and is recognised in the income statement on a straight-line basis over the life of the underlying derivative instrument. As at 30 September 2022, £32.3 million (31 March 2022: £33.3 million) remained capitalised within derivative financial liabilities and £1.0 million had been recognised in the income statement within net losses on financial instruments (six months ended 30 September 2021: £1.0 million).

Comparison of fair value of financial instruments with their carrying amounts

The fair values and carrying values of the Group's financial assets and financial liabilities are set out in the tables below.

Financial assets:

As at	30 September 2022		31 March 2022	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Non-current:				
Intercompany loans receivable	1,693.4	1,693.4	1,693.4	1,693.4
Derivative financial instruments				
Cross currency swaps	360.0	360.0	78.5	78.5
Interest rate swaps	394.3	394.3	34.1	34.1
Index-linked swaps	27.6	27.6	56.6	56.6
Insurance and other receivables	41.9	41.9	45.6	45.6
	2,517.2	**2,517.2**	**1,908.2**	**1,908.2**
Current:				
Cash and cash equivalents	264.4	264.4	425.0	425.0
Intercompany loans receivable[1]	23.6	23.6	8.4	8.4
Trade and other receivables	720.2	720.2	353.3	353.3
Derivative financial instruments				
Cross currency swaps	11.0	11.0	3.6	3.6
Index-linked swaps	-	-	19.3	19.3
	1,019.2	**1,019.2**	**809.6**	**809.6**
Total	**3,536.4**	**3,536.4**	**2,717.8**	**2,717.8**

[1] Intercompany loans receivable includes a floating rate loan and related interest. The fair value of the entire balance is assumed to be the nominal value due to early repayment rights.

Notes to the condensed consolidated financial statements (continued)

12. Fair value of financial instruments (continued)

Financial liabilities:

As at	30 September 2022		31 March 2022	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Non-current				
Borrowings				
Secured bank loans and private placements	(3,480.6)	(3,306.1)	(2,961.7)	(3,230.5)
Bonds	(9,220.1)	(8,437.5)	(9,580.3)	(12,610.5)
Amounts owed to Group undertakings	(5.5)	(5.5)	(5.5)	(5.5)
Derivative financial instruments				
Cross currency swaps	(19.1)	(19.1)	(120.1)	(120.1)
Interest rate swaps	(437.8)	(437.8)	(140.8)	(140.8)
Index-linked swaps	(1,329.6)	(1,329.6)	(1,977.8)	(1,977.8)
Lease liabilities	(54.0)	(54.0)	(57.1)	(57.1)
	(14,546.7)	(13,589.6)	(14,843.3)	(18,142.3)
Current				
Borrowings				
Secured bank loans and private placements	(837.8)	(837.0)	(479.4)	(480.2)
Bonds	(301.4)	(295.2)	(110.7)	(113.2)
Interest payable	(134.5)	(134.5)	(159.1)	(159.1)
Derivative financial instruments				
Cross currency swaps	-	-	(5.0)	(5.0)
Index linked swaps	(221.0)	(221.0)	(98.0)	(98.0)
Trade and other payables (excluding other taxation and social security)	(683.8)	(683.8)	(689.5)	(689.5)
Lease liabilities	(6.7)	(6.7)	(6.2)	(6.2)
	(2,185.2)	(2,178.2)	**(1,547.9)**	**(1,551.2)**
Total	(16,731.9)	(15,767.8)	**(16,391.2)**	**(19,693.5)**

The fair value of borrowings represents the market value of the publicly traded underlying liquid bonds (level 1 inputs to valuation technique). For private placements and less liquid underlying bonds, the fair value is determined by discounting expected future cash flows using a risk-free rate plus the Group's credit spread, foreign currency values are then translated at the spot rate.

The fair value of floating rate debt instruments is assumed to be the nominal value of the loan adjusted for credit risk if this is significant. The fair value of index-linked debt instruments is based on the nominal value of the debt plus accretion already accrued and accretion expected to accrue to maturity, discounted using a risk-free rate plus the Group's credit spread. Amounts owed to group undertakings includes a floating rate loan and related interest. The fair value of the entire balance is assumed to be the nominal value due to early repayment rights.

Notes to the condensed consolidated financial statements (continued)

12. Fair value of financial instruments (continued)

IBOR reform

The following table contains details of all of the financial instruments that the Group holds at 30 September 2022 which contain references to GBP LIBOR and have not yet transitioned to SONIA or an alternative interest rate benchmark:

	Carrying Value at 30 September 2022		Of which: Have yet to transition to an alternative benchmark interest rate as at 30 September 2022	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Assets and liabilities exposed to GBP LIBOR				
Fair value through profit or loss				
Derivative financial instruments				
Index-linked swaps[1]	-	(98.9)	-	(98.9)
Amortised cost				
Borrowings[2]	-	(956.0)	-	(956.0)
Total assets and liabilities exposed to GBP LIBOR	-	(1,054.9)	-	(1,054.9)

[1] Consists of £98.9 million index-linked swaps (in a fair value liability position) where the interest rate is not directly linked to LIBOR, however have LIBOR references in the documentation.
[2] Consists of £956.0 million external debt where the interest rate is not directly linked to LIBOR, however has LIBOR references in the documentation.

Notes to the condensed consolidated financial statements (continued)

13. Deferred tax

An analysis of movements in the deferred tax liabilities and assets recognised by the Group is set out below:

	Accelerated depreciation	Retirement benefits	Cash flow hedge	Other	Total
	£m	£m	£m	£m	£m
At 1 April 2021	(1,225.4)	32.4	197.0	22.8	(973.2)
(Charge)/credit to income statement including impact of tax rate change	(293.6)	(15.2)	200.9	(3.7)	(111.6)
Credit/(charge) to other comprehensive income including impact of tax rate change	-	42.9	(4.6)	-	38.3
Other	0.1	-	-	-	0.1
At 31 March 2022	(1,518.9)	60.1	393.3	19.1	(1,046.4)
Credit/(charge) to income statement	54.7	(1.2)	(222.6)	(3.2)	(172.3)
Charge to other comprehensive income	-	(19.3)	(2.2)	-	(21.5)
At 30 September 2022	(1,464.2)	39.6	168.5	15.9	(1,240.2)

Deferred tax assets and liabilities have been offset in the balance sheet. The offset amounts, which are to be recovered/settled after more than 12 months are as follows:

	30 September 2022	31 March 2022
	£m	£m
Deferred tax assets	224.0	472.5
Deferred tax liabilities	(1,464.2)	(1,518.9)
Net deferred tax liabilities	(1,240.2)	(1,046.4)

In the Spring Budget 2021, the Government announced that from 1 April 2023, the corporation tax rate would increase from 19% to 25%. The increase to 25% was substantively enacted on 24 May 2021. Therefore, its effects on deferred tax were included in the financial statements for the prior period in respect of timing differences as at 30 September 2021 which were expected to unwind after 1 April 2023. Please see Note 6 for further comment on the effect of this change on timing differences in the current and prior periods.

Notes to the condensed consolidated financial statements (continued)

14. Retirement benefit obligations

Background

The Group operates two defined benefit pension schemes and one defined contribution pension scheme.

	What are they?	How do they impact the financial statements?
Defined Contribution Scheme This scheme was set up in April 2011 and was managed through Standard Life. From October 2020, this is now managed through Aon MasterTrust. This scheme is open to all employees of the Company that are not members of the defined benefit pension schemes.	In a defined contribution pension scheme, the benefits are linked to: • contributions paid; • the performance of the individual's chosen investments; and • the form of benefits.	A charge of £13.8 million (six-month period ended 30 September 2021: £13.2 million) was recognised in the income statement relating to the contributions payable by the Group based upon a fixed percentage of employees' pay. There were no outstanding contributions as at 30 September 2022 (31 March 2022: £3.5 million) recognised in the statement of financial position. The Group has no exposure to investment or other experience risks.
Defined Benefit Schemes Company's eligible employees are provided through two defined benefit pension schemes: • Thames Water Pension Scheme ("TWPS"); and • Thames Water Mirror Image Pension Scheme ("TWMIPS"). Both now are career average pension schemes. Their assets are held separately from the rest of the Kemble Water Holdings Limited Group in funds in the United Kingdom which are independently administered by the pension trustees. TWMIPS has been closed to new entrants since 1989 and TWPS since April 2011. Both schemes are closed to new employees. TWPS was closed to future accrual as of 31 March 2021.	In a defined benefit pension scheme the benefits: • are defined by the scheme rules; • depend on a number of factors including age, years of service and pensionable pay; and • do not depend on contributions made by the members or the Company	A charge was recognised in the income statement of £6.2 million (six-month period ended 30 September 2021: £4.9 million) relating to the following: • service cost representing the increase in the defined benefit liability arising from pension benefits earned by active members in the current period; • administrative expenses for the pension schemes; and • the net interest expense on pension scheme assets and liabilities An actuarial gain of £81.7 million (six-month period ended 30 September 2021: loss of £97.1 million) on the value of the pension scheme was recognised in the statement of other comprehensive income. This reflects the impact of changes in financial assumptions and the demographic of the scheme members when compared with those at the start of the year, as well as the return on the schemes' assets over and above the amount included in the net interest expense. A pension surplus of £1.7 million (31 March 2022: £12.0 million) is recognised in the statement of financial position for the TWMIPS scheme. A pension deficit of £162.7 million (31 March 2022: £257.3 million) is recognised in the statement of financial position for the TWPS scheme. As at 30 September 2022, the net pension deficit is £161.0 million (31 March 2022: £245.3 million). The Group is exposed to investment and other experience risks. Where it is estimated that the benefits will not be met by regular contributions, assets held or expected investment income, additional contributions are being made by the Group.

Notes to the condensed consolidated financial statements (continued)

14 Retirement benefit obligations (continued)

In addition to the cost of the defined benefit pension arrangements, the cost of providing enhanced benefits under the Thames Water Mirror Image Pension Scheme for early retirement are met by employer augmentation payments. These augmentations are funded by way of additional employer contributions to the schemes. None were paid in six month period to 30 September 2022 (six-month period ended 30 September 2021: £nil).

The defined benefit pension schemes are subject to a full actuarial valuation every three years using assumptions agreed between the trustees of the pension schemes and the Group. The purpose of this triennial valuation is to evaluate and, if necessary, modify the funding plans of the pension schemes to ensure the schemes have sufficient funds to meet future benefit payments. The most recent full actuarial valuation of the defined benefit pension scheme was carried out at 31 March 2019 on behalf of the trustees by David Gardiner of Aon, the actuary of the schemes. This resulted in a combined funding deficit across the two schemes of £148.9 million (2016: £364.9 million) with the market value of the assets being £2,313.3 million (2016: £1,905.5 million). The next triennial valuation based on the 31 March 2022 position is currently in progress. Under UK regulations, the Group has 15 months to complete the triennial valuation from the valuation date of 31 March 2022.

This funding valuation is different from the accounting valuation presented in the financial statements due to the use of different assumptions and changes in market conditions from 31 March 2019 to 30 September 2022. The 2019 funding valuation has been updated to an accounting valuation as at 30 September 2022 by Hymans Robertson LLP, an independent and professionally qualified consulting actuary, using revised assumptions that are consistent with the requirements of IAS 19 *Employee Benefits* and shown in this note to the financial statements.

IAS 19 Assumptions

The approach used to set the IAS 19 assumptions is detailed below:

	Approach to set the assumptions
Discount rate	As per IAS 19, the discount rate is determined using the market yields on high quality corporate bonds as at the reporting date with the currency and term of these bonds being consistent with the currency and term of the pension liabilities. The TWPS and TWMIPS discount rate is calculated by applying the projected cash flows of these schemes to an AA-corporate bond yield curve as at 30 September 2022.
RPI inflation	The RPI inflation assumption uses the inflation curve weighted by projected future cash flows of TWPS and TWMIPS with an adjustment made for an inflation risk premium.
CPI inflation	This CPI inflation assumption is taken at a margin below RPI factoring in market forces and third party estimates of the difference expected.
Salary increases	Both defined benefit schemes provide benefits on a Career Average (“CARE”) benefit structure whereby past entitlements are linked to movements in CPI therefore an assumption for increase in salary is not required.
Pension increases	It is assumed that benefits will increase in line with the RPI and CPI inflation assumptions detailed above, based on the appropriate index for increasing benefits.
Longevity	The mortality assumptions are based on standard mortality tables and the actual mortality experience of members within the schemes, which remains unchanged from 31 March 2022. The assumptions also allow for future improvements to mortality rates.

Notes to the condensed consolidated financial statements (continued)

14 Retirement benefit obligations(continued)

Financial assumptions

The main assumptions used by the actuaries in the valuation of these schemes are as follows:

	30 September 2022		31 March 2022	
	TWPS	TWMIPS	TWPS	TWMIPS
Rate of price inflation – RPI	3.55%	3.70%	3.65%	3.85%
Rate of price inflation – CPI	3.15%	3.15%	3.25%	3.30%
Discount rate	5.15%	5.25%	2.80%	2.75%

Mortality assumptions

The mortality assumptions were based on the post retirement mortality assumptions used for the previous financial year, but updated for the latest CMI 2020 model. The table below illustrates the life expectancies of an average member retiring at age 60 at the period-end reporting date and a member reaching age 60 at the period-end reporting date in 20 years.

	30 September 2022		31 March 2022	
	TWPS Years	TWMIPS Years	TWPS Years	TWMIPS Years
Life expectancy from age 60:				
Male	27.7	26.8	27.7	26.8
Female	29.8	29.1	29.8	29.1
Life expectancy from age 60 currently aged 40:				
Male	28.3	27.9	28.3	27.9
Female	30.9	30.2	30.9	30.2

Actuarial risk factors

The schemes are exposed to actuarial risks including investment risk, discount rate risk, inflation risk and longevity risk.

	Definition of risk
Investment risk	Assumptions are made about the returns expected from the schemes' investments. If the investments underperform these assumptions in the long term then additional contributions will need to be made to the schemes in order to fund the payment of future benefits.
Discount rate risk	A fall in AA-rated corporate bond yields, which are used to set the discount rate, will increase the value of the scheme's liabilities. This may be partially offset by an increase in the value of the scheme's bond holdings.
Inflation risk	The benefits payable to the members of the schemes are linked to inflation and as such higher inflation will lead to higher liabilities. Additionally, the Group's contributions to the schemes are based on assumptions about the future levels of inflation. Therefore an increase in inflation above that assumed in the actuarial calculations will create a deficit.
Longevity risk	An increase in the life expectancy of scheme members will result in benefits being paid out for longer, leading to an increase in the defined benefit schemes' liabilities.

Notes to the condensed consolidated financial statements (continued)

14 Retirement benefit obligations (continued)

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

	30 September 2022		31 March 2022	
	TWPS	TWMIPS	TWPS	TWMIPS
	£m	£m	£m	£m
Changes in assumptions resulting in a (decrease)/increase in liabilities				
Change in discount rate (+ 1% p.a.)	(180.0)	(50.0)	(345.0)	(85.0)
Change in rate of inflation (RPI and CPI) (- 1% p.a.)	(120.0)	(40.0)	(235.0)	(65.0)
Change in life expectancy (+ 1 year)	60.0	20.0	75.0	35.0

15. Capital commitments

As at	30 September 2022 £m	31 March 2022 £m
Property, plant and equipment	735.2	652.8
Intangible assets	19.7	21.2
Total contracted for but not provided	**754.9**	**674.0**

The Group has long-term capital investment plans, under its business plan submitted to Ofwat, to provide for future growth and maintenance of the infrastructure network. Capital commitments has increased in the six month period to 30 September 2022 due to more investment being made in our infrastructure to help mitigate the challenge of ensuring resilience in our network from the impact of climate change and population growth.

16. Contingent liabilities

Contingent liabilities represent potential future cash outflows which are either not probable or cannot be measured reliably.

The Group is currently defending five sets of court proceedings commenced by different groups of Property Search Companies ("PSCs") seeking refunds of fees paid for property search data, including CON29DW and Commercial DW searches, from 1 December 2013 to date. The PSCs allege that they have been overcharged for drainage and water searches and that information should have been made available to them pursuant to the Environmental Information Regulations 2004, free of charge or for a smaller fee. The position is replicated across all other Water & Sewerage Companies in England and Wales. We are defending these claims, as are all the other water and sewage companies in England and Wales. However, the claims are still at too early a stage to provide further commentary on the merits or otherwise of them or any effect on the financial position of the Group.

Notes to the condensed consolidated financial statements (continued)

16. Contingent liabilities (continued)

The Group is subject to investigations being separately led by Ofwat and the Environment Agency into compliance with conditions of environmental permits and sewer overflows. This impacts all Sewerage Companies in England and Wales per obligations set under Instruments of Appointment, the Water Industry Act 1991 and the Environmental Permitting Regulations 2016. The Group is providing information requested to support with these ongoing investigations. The outcome of these investigations and the existence of any possible future financial obligations, or other consequences, is unable to be determined at this time.

Other contractual matters with suppliers incurred in the ordinary course of business, may result in a liability that could have a material effect on the Group's financial statements. These contractual matters are unquantifiable and subject to significant uncertainties. The Group has considered these contractual matters as a contingent liability.

Financial guarantees

The Group is part of a Whole Business Securitisation ("WBS") group. Companies in the WBS group raise debt in external debt markets through the issuance of secured bonds and the issue of loans. All companies in the WBS group guarantee the principal and interest payments due under the terms of the bonds. Where the Group enters into financial guarantee contracts to guarantee the indebtedness of other companies within this group, the Group considers these to be insurance arrangements and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such a time as it becomes probable that the Group will be required to make a payment under the guarantee.

17. Related party transactions

Transactions

For the six-month period ended 30 September	2022		2021	
	Services provided by the Group £'000	Services provided to the Group £'000	Services provided by the Group £'000	Services provided to the Group £'000
Intermediaries between the immediate and ultimate parent				
Thames Water Limited	140	-	197	-
Kemble Water Finance Limited	-	34,068	-	-
Immediate parent				
Thames Water Utilities Holdings Limited	-	15,197	9,993	3,926
Other entities within the Kemble Water Holdings group				
Kennet Properties Limited	602	-	745	-
Thames Water Property Services Limited	113	154	83	115
Entities external to the Kemble Water Holdings group				
Dunelm Energy Limited	-	12	-	8
Total	**855**	**49,431**	**11,018**	**4,049**

Notes to the condensed consolidated financial statements (continued)

17. Related party transactions (continued)

Outstanding balances

The following amounts were owed to the Group from related entities, and owed to related entities by the Group at the balance sheet date:

	2022		2022	
	Amounts owed to the Group £'000	Amounts owed by the Group £'000	Amounts owed to the Group £'000	Amounts owed by the Group £'000
Ultimate parent				
Kemble Water Holdings Limited	-	-	-	-
Intermediaries between the immediate and ultimate parent				
Kemble Water Finance Limited	34,068	-	-	-
Thames Water Limited	-	-	-	-
Immediate parent				
Thames Water Utilities Holdings Limited	1,693,422	29,805	1,693,422	25,636
Total	1,727,490	29,805	1,693,422	25,636

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received, other than the WBS guarantees detailed in note 16. No material provisions have been made for doubtful debts in respect of the amounts owed by related parties.

18. Key management personnel

Key management personnel comprise the members of the Board and of the Executive Committee during the year.

The remuneration of the Directors for the six month period ended 30 September 2022, and comparative period 30 September 2021, is included in the table below:

For the six-month period ended 30 September	2022 £'000	2021 £'000
Fees	263	308
Salary	1,924	1,624
Pension and pension allowance	167	156
Bonus[1]	964	2,098
Other benefits[2]	1,942	754
Total	5,260	4,940

[1] For the six-month period to 30 September 2022, and the comparative period, a bonus for key management personnel was accrued and included above based on 50% of expected year end outcome. The final bonus for the year is to be determined at year end.

[2] Other benefits includes medical benefits, car allowances, relocation costs, other incentives and long-term incentive plans. For the comparative period 30 September 2021 £1.3m relating to the long-term incentive plans was classified under bonus.

Information regarding transactions with post-employment benefit plans is included in 'Retirement benefit obligations'.

Notes to the condensed consolidated financial statements (continued)

19. Post Balance Sheet Events

During October and November 2022, a net £300.0 million of Class A Revolving Credit Facilities drawdowns were repaid and a total of £370.7 million of Class B Revolving Credit Facilities drawdowns were repaid.

In November 2022, £622.7 million equivalent proceeds were received from privately placed Notes which were priced in August 2022. The issuance consists of a total of $432.0 million USD tranches and a total of £258.0 million GBP tranches. Cross currency swaps were entered into in August 2022 for the USD tranches, swapping USD for GBP.

In November 2022, the Group entered into a £900.0 million revolving credit facility and a £100.0 million term loan facility, both maturing in May 2026.

In November 2022, the Group entered into a total of £1.0 billion notional index-linked swaps with a 10 year maturity. These swaps help manage inflation risk and effectively convert existing debt which was issued at a fixed nominal rate into a fixed real rate with the underlying principal amount linked to inflation. All of the swaps transacted are structured to pay the inflation accretion amount at maturity.

In December 2022, the Group entered into a £98.5 million Class A term loan facility maturing in December 2029 and a £65.0 million Class B term loan facility maturing in December 2027, both of which remain undrawn.

Thames Water