

## **Kemble Water Eurobond Plc**

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

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## **Company Information**

### **Directors**

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

### **Independent auditors**

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

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

B Swiergon

Clearwater Court  
Vastern Road  
Reading  
Berkshire  
RG1 8DB

## Strategic Report

The Directors present their Strategic Report for Kemble Water Eurobond Plc (“the Company”) for the year ended 31 March 2023.

### Business review

The principal activity of the Company, to make certain financing arrangements on behalf of, and to act as an intermediate holding company within the Kemble Water Holdings Limited group of companies (“the Group” or “KWH”), remains unchanged from the previous year. The Group’s principal activity is the appointed supply of water and wastewater services to customers in the London, Thames Valley and surrounding area, delivered through its wholly owned subsidiary Thames Water Utilities Limited (“TWUL”) in accordance with TWUL’s licence of appointment. In addition to its role as an intermediate holding company, the Company has loans with other companies within the Group.

The Directors have reviewed the expected recoverable value of the Company’s non-current asset investments and intercompany loan receivables owed by its subsidiary entities. Management have assessed the impairment of these assets and have concluded that a further impairment is required, an additional £1,010.3 million (2022: £604.9 million reversal) of its impairment provision against the investment with Kemble Water Finance Limited and intercompany loan receivable due from Kemble Water Finance Limited. This impairment has been estimated through using year end multiples of Regulatory Capital Value (“RCV”) of listed companies in the water industry. Management have assessed the sensitivity of the impairment calculation and confirmed that a 0.01x movement in the RCV multiple will result in a material movement in the provision due to the sensitivity of this value. As explained in notes 3 and 5, this additional impairment provision is offset against the correction of the interest income raised in the period by £32.5 million (2022: £249.3 million); and additional provision for bad debts has led to a corresponding impairment loss of £977.8 million (2022: gain on reversal of impairment losses of £854.2 million), both of which are recognised in the Income Statement.

In March 2023, the Company capitalised into principal the deferred interest on the Eurobond loan notes previously issued by the Company and held by the shareholders of the ultimate parent company Kemble Water Holdings Limited (“KWH”). KWH was then substituted to become the issuer of the resulting £310.4 million shareholder loan notes (on which the principal had increased to £539.8 million through capitalisation of interest), and in consideration, an intercompany loan from KWH was entered into by the Company with the same key terms as the substituted loan notes.

Furthermore, in March 2023, the ultimate parent company, Kemble Water Holdings Limited issued £515.0 million of Convertible Loan Notes to shareholders with net proceeds of £500.0 million after upfront fees. The net proceeds were cascaded to the Company by way of an intercompany loan mirroring the key terms of the external instruments, plus a 10 basis point margin. The Company used £476.8 million of the proceeds to increase its investment into the equity of Kemble Water Finance Limited, (“KWF”) and used £23.2 million to settle group relief liabilities owed to KWF. KWF used the combined proceeds to settle £500.0 million of interest owed on its £3.1 billion intercompany loan from the Company, which the Company then used to invest in a further £500.0 million of equity in KWF, resulting in a total increase in the investment in KWF of £976.8 million (2022: £nil). The net proceeds were further cascaded by KWF to Thames Water Utilities Limited via intermediate holding companies.

### Key performance indicators

The Directors have determined that the profit or loss before tax and the net assets or liabilities are the most appropriate key performance indicators for an understanding of the development, performance and position of the Company. For the year ended 31 March 2023 the Company made a loss before tax of £97.2 million (2022: profit before tax of £1,277.0 million). The variance has been driven primarily by increase in the impairment losses on investment and loan receivables in the current period, offset by gains on financial instruments.

As at 31 March 2023, the Company had net assets of £3,975.7 million (2022: net assets of £4,243.9 million). The Directors have no concerns regarding the performance or position of the Company. A material uncertainty has been recognised with regards to the company’s ability to continue as a going concern due to matters arising in the wider Kemble Water Holdings Limited Group. Further details of this is discussed in the Going concern section of the Directors’ Report and in the Accounting Policies Note.

## Strategic Report (continued)

### Principal risks and uncertainties

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

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's intercompany receivable balances. Credit control policies and procedures are in place to minimise the risk of bad debt arising from intercompany receivables including, where appropriate, a review of the credit ratings of counterparty intercompany entities and any letters of support they may receive from the Group.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due and arises principally on interest repayments on the Company's loan agreements, which are with other companies within the Group. The company relies on dividends or loan servicing by its subsidiaries to cover its operating costs and to service its internal debt obligations and if these are unavailable it could result in it being unable to secure sufficient liquidity to meet its requirements, resulting in insolvency. The Company has received a letter of support from KWH, its immediate, and ultimate, parent company, confirming that it will provide support as necessary to enable it to meet its liabilities as they fall due for at least a period of twelve months from the signing of these financial statements. The Directors are satisfied to place reliance on this support based on a review of the Group's budget and business plan, as well as consideration given that all payables and receivables, are to other intercompany entities.

The Group's treasury operations are managed centrally by a specialist team, which operates with the delegated authority of, and under policies approved by, the Board of Directors of the Company's ultimate parent company, KWH. The operation of the treasury function is governed by specific policies and procedures that set out specific guidelines for the management of interest rate risk and foreign exchange risk and the use of financial instruments. The treasury policies and procedures are incorporated within the financial control procedures of the Group.

From the perspective of the Company all other risks and uncertainties not disclosed above, including those pertaining to its indirect investment in TWUL, are integrated with the principal risks of the Group and are not managed separately. The principal risks of the Group are disclosed in the financial statements of the ultimate controlling parent, KWH. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company not disclosed above, are discussed in the Group's annual report which does not form part of this report. The Group's annual report is available from the address shown in note 14.

### Future outlook

The Company is expected to continue to act as an intermediate holding company within the Group and make certain financing arrangements on behalf of the Group for the foreseeable future.

### s172 reporting

The Directors of the Company must act in accordance with the duties contained in s172(1) of the Companies Act 2006 as follows:

"A Director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

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

## **Strategic Report (continued)**

### **s172 reporting (continued)**

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

During the year, the Company has continued to act as an intermediate holding company within the KWH Group. Day-to-day running of the Company is managed by the Company's management team, consisting of employees from the Group's main trading company, TWUL. The Board of Directors approved the Company's annual report and financial statements, as well as the capitalisation into principal of interest on the Eurobond loan notes, the issuer substitution of the loan notes and the intercompany transactions arising from the issuer substitution, and the receipt of £500.0 million net proceeds from the issue of the Convertible Loan Notes by KWH to its shareholders and the related cascade of funds to subsidiaries. No other significant decisions requiring

the approval of The Board of Directors have been made during the year. The Company had no employees during the year, or as at the date of this report, nor did it have any external customers or trading arrangements with suppliers. The Company's stakeholders are considered to be other companies within the KWH Group with whom intercompany loan relationships exists. Stakeholder engagement occurs periodically throughout the year, both formally and informally.

The Board of Directors of the Company consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006. The Board of Directors of KWH manage the Group and further details of how they have carried out their duties is disclosed in the financial statements of the ultimate controlling party, KWH. The Group's annual report is available from the address shown in note 14.

This Strategic Report was approved by the Board of Directors on 27 July 2023 and signed on its behalf by:

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

## Directors' Report

The Directors present their annual report and the audited financial statements of Kemble Water Eurobond Plc for the year ended 31 March 2023. The Directors consider that the annual report and financial statements, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's performance and strategy.

The registered number of the Company is 05957999 (United Kingdom).

### Directors

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

P Noble	
J Divoky	
A Hall	
S Deeley	
C Pham	
M Wang	
G Tucker	
D Wilkins	
Y Deng	
S Lowndes	(appointed 29 April 2022)
T Mi	(appointed 30 September 2022)
R Noble	(appointed 30 September 2022; resigned 23 March 2023)
G Merchant	(appointed 4 November 2022)
J Kim	(appointed 1 December 2022)
H Onarheim	(appointed 1 December 2022)
A Montague	(appointed 10 July 2023)
S Obozian	(resigned 29 April 2022)
F Sheng	(resigned 30 September 2022)
G Lambert	(resigned 1 December 2022)
M Bloch-Hansen	(resigned 1 December 2022)
M McNicholas	(resigned 23 March 2023)

During the year under review, none of the Directors had significant contracts with the Company or any other body corporate other than their contracts of service (2022: none).

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

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

### Future outlook

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

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

### **Dividends**

The Company has paid £29.0 million (2022: £187.0 million) dividends from the distributable capital contribution reserve within retained earnings during the period; the Directors have approved to pay a final dividend of £30.8 million (2022: £4.5 million) to its shareholders Kemble Water Holdings Limited after the period ended 31 March 2023.

### **Financial risk management**

During the period, the Company has had access to the Chief Executive Officer and the Executive Team of Thames Water Utilities Limited, who also manage the wider Kemble Water Holdings Limited group on a day-to-day basis on behalf of the Directors of individual group companies. They receive regular reports from all areas of the business. This enables prompt identification of financial and other risks so that appropriate actions can be taken in the relevant group companies.

The Company's operations expose it to a variety of financial risks which are described in the Strategic Report.

### **Going concern**

Kemble Water Eurobond Plc ("KWE") is an intermediate holding company within the Kemble Water Holdings Limited ("KWH") group of companies and relies on KWH (the ultimate parent company) for ongoing support.

KWH has confirmed that it will continue to provide support to the Company to enable it to meet its liabilities as they fall due for a period of at least twelve months from the date of signing of these financial statements.

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

The Directors of KWE, have considered it appropriate to place reliance on the support from KWH despite the uncertainties noted above, based upon a review of the KWH Group's budget, business plan and investment programme, together with the cash and committed borrowing facilities available. The KWE Directors also took into account potential contingent liabilities and other risk factors in making their assessment.

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

### **Research and development**

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

### **Political and charitable donations**

No political or charitable donations were made by the Company during the year (2022: £nil).

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

### **Directors' indemnities**

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors (which extend to the performance of any duties as Director of any associated company) and these remain in force at the date of this report.

### **Disclosure of information to the auditors**

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Independent auditors**

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

Approved by the Board of Directors on 27 July 2023 and signed on its behalf by:

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

## **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

27 July 2023

# Independent auditors' report to the members of Kemble Water Eurobond Plc

## Report on the audit of the financial statements

### Opinion

In our opinion, Kemble Water Eurobond Plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 March 2023; the Income statement and the Statement of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Material uncertainty related to going concern

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

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

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

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

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

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the

## **Independent auditors' report to the members of Kemble Water Eurobond Plc (continued)**

audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

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

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- Discussions and inquiries of group management, internal audit function and legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Challenging assumptions made by management in determining significant accounting estimates and judgments. We have tested significant accounting estimates and judgements to supporting documentation, considering alternative

## **Independent auditors' report to the members of Kemble Water Eurobond Plc (continued)**

information where appropriate along with considering the appropriateness of the related disclosures in the financial statements;

- Identifying and testing a sample of journal entries throughout the whole year, which met our pre-determined fraud risk criteria;
- Reviewing minutes of meetings of those charged with governance and reviewing internal audit reports; and
- Incorporating elements of unpredictability into the audit procedures performed.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### **Use of this report**

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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

## Income statement

For the year ended 31 March

	Note	2023 £m	2022 £m
Finance income	3	710.9	447.4
Finance expenses	3	(26.2)	(24.6)
Gains on financial instruments	4	195.9	-
Net (impairment losses)/gain on reversal of impairment losses	5	(977.8)	854.2
<b>(Loss)/Profit before taxation</b>		<b>(97.2)</b>	1,277.0
Tax charge on (loss)/profit	6	(142.0)	(121.2)
<b>(Loss)/Profit for the year</b>		<b>(239.2)</b>	1,155.8

All amounts relate to continuing operations.

The Company has no other comprehensive income or expenses other than the items set out above and therefore no separate statement of comprehensive income has been presented.

## Statement of financial position

As at 31 March

	Note	2023 £m	2022 £m
<b>Non-current assets</b>			
Investment in subsidiaries	7	-	1.0
Deferred tax asset	8	-	-
Other receivables	9	<b>5,053.6</b>	4,918.0
		<b>5,053.6</b>	4,919.0
<b>Current assets</b>			
Cash and cash equivalents		<b>51.2</b>	4.9
		<b>51.2</b>	4.9
<b>Current liabilities</b>			
Other payables	10	<b>(271.7)</b>	(152.9)
		<b>(271.7)</b>	(152.9)
<b>Net current liabilities</b>		<b>(220.5)</b>	(148.0)
<b>Total assets less current liabilities</b>		<b>4,833.1</b>	4,771.0
<b>Non-current liabilities</b>			
Other payables	10	<b>(857.4)</b>	-
Borrowings	11	-	(527.1)
		<b>(857.4)</b>	(527.1)
<b>Net assets</b>		<b>3,975.7</b>	4,243.9
<b>Equity</b>			
Called up share capital	12	<b>1.0</b>	1.0
Retained earnings <sup>1</sup>		<b>3,974.7</b>	4,242.9
<b>Total shareholders' funds</b>		<b>3,975.7</b>	4,243.9

<sup>1</sup> Retained earnings includes a distributable capital contribution of £5,268.0 million (2022: £5,297.0 million) of which £29.0 million was used to pay dividends in the period (2022: £187.0 million).

The financial statements were approved by the Board of Directors on 27 July 2023 and signed on its behalf by:

P Noble  
Director

Registered number: 05957999 (United Kingdom)

## Statement of changes in equity

For the year ended 31 March

	Called up share capital £m	Retained earnings £m	<b>Total shareholders' funds £m</b>
<b>At 1 April 2021</b>	1.0	3,274.1	<b>3,275.1</b>
Profit for the year	-	1,155.8	<b>1,155.8</b>
Dividends <sup>1</sup>	-	(187.0)	<b>(187.0)</b>
<b>As at 31 March 2022</b>	1.0	4,242.9	<b>4,243.9</b>
Loss for the year	-	(239.2)	<b>(239.2)</b>
Dividends <sup>1</sup>	-	(29.0)	<b>(29.0)</b>
<b>As at 31 March 2023</b>	1.0	3,974.7	<b>3,975.7</b>

<sup>1</sup> In the period the Company has paid £29.0 million (2022: £187.0 million) dividends from retained earnings which includes a distributable capital contribution of £5,268.0 million (2022: £5,297.0 million).

## Accounting policies

The following accounting policies have been adopted in the preparation of these financial statements. They have been applied consistently in dealing with items which are considered material, unless otherwise stated:

### General information

Kemble Water Eurobond Plc (the “Company”) is a company incorporated in the United Kingdom and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is Clearwater Court, Vastern Road, Reading, Berkshire, RG1 8DB.

The principal activity of the Company, to make certain financing arrangements on behalf of and to act as an intermediate holding company within the Kemble Water Holdings Limited group of companies (“the Group”), remains unchanged from the previous year.

### Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, 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.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards adopted by the UK Endorsement Board, but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

As permitted by FRS 101, the Company has taken advantage of the following exemptions:

- IFRS 7 *Financial instruments: Disclosures*.
- Paragraphs 91 to 99 of IFRS 13 *Fair value measurement* (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1 *Presentation of financial statements* comparative information requirements in respect of:
  - paragraph 79(a)(iv) of IAS 1 (a reconciliation of the number of shares outstanding at the beginning and at the end of the period), and
- The following paragraphs of IAS 1 *Presentation of financial statements*:
  - 10(d) (statement of cash flows).
  - 16 (statement of compliance with all IFRS),
  - 38B-D (additional comparative information),
  - 111 (cash flow statement information), and
  - 134-136 (capital management disclosures).
- IAS 7 *Statement of cash flows*.
- Paragraph 30 and 31 of IAS 8 *Accounting policies, changes in accounting estimates and errors* (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24 *Related party disclosures* (key management compensation).
- The requirements in IAS 24 *Related party disclosures* to disclose related party transactions entered into between two or more members of a group.

## Accounting policies (continued)

### Basis of preparation (continued)

The Company's immediate, and ultimate, parent undertaking, Kemble Water Holdings Limited includes the Company in its consolidated financial statements. The address of the registered office of Kemble Water Holdings Limited is Clearwater Court, Vastern Road, Reading, Berkshire, RG1 8DB. The consolidated financial statements of Kemble Water Holdings Limited 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 DTR issued by the Financial Conduct Authority.

The Company is exempt, by virtue of s400 of the Companies Act 2006, from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

### Going concern

Kemble Water Eurobond Plc (KWE) is an intermediate holding company within the Kemble Water Holdings Limited (KWH) group of companies and relies on KWH (the ultimate parent company) for ongoing support.

KWH has confirmed that it will continue to provide support to the Company to enable it to meet its liabilities as they fall due for a period of at least twelve months from the date of signing of these financial statements.

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

The Directors of KWE, have considered it appropriate to place reliance on the support from KWH despite the uncertainties noted above, based upon a review of the KWH Group's budget, business plan and investment programme, together with the cash and committed borrowing facilities available. The KWE Directors also took into account potential contingent liabilities and other risk factors in making their assessment.

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

### New standards and amendments

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

### IBOR reform

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

## Accounting policies (continued)

### IBOR reform (continued)

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

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

On 14 June 2022, the £4.5 million intercompany loan with Thames Water Commercial Ventures Holdings Limited (“TWCVHL”) that originally referenced LIBOR was transitioned to SONIA on an economically equivalent basis. No gain or loss was recognised on transition as the Phase 2 reliefs were met. Refer to note 9 Other receivables for more information.

### Interest income

Interest income is accrued on a time basis by reference to the principal outstanding and the Effective Interest Rate (“EIR”) applicable. The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is presented within finance income in the income statement.

### Interest expense

Interest expense is accrued on a time basis by reference to the principal outstanding and the Effective Interest Rate (“EIR”) applicable. The EIR is the rate that exactly discounts the estimated future cash payments over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest expense is presented within finance expenses in the income statement.

### Non-current asset investment in subsidiaries

Investments in subsidiary undertakings are stated at cost, less any provision for impairment. Impairment reviews are performed when there is an indicator of impairment and annually.

### Intercompany receivables

Receivables for Kemble Water Eurobond Plc are largely comprised of amounts owed by group undertakings and interest on amounts owed by group undertakings. Interest bearing loans issued to other group companies are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. They are subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment. The amortisation is included within finance income in the income statement and is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

### Intercompany payables

Payables for Kemble Water Eurobond Plc are largely comprised of amounts owed to group undertakings and interest on amounts owed to group undertakings. These are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. The amortisation is included within finance costs in the income statement and is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

## Accounting policies (continued)

### Cash and cash equivalents

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

### Impairment of financial assets (including receivables)

There is an annual impairment review for intercompany receivables which assesses the ability of the counterparty to pay them based on a range of factors including, their net assets position and risk affected forecasts of future cash flows of the underlying investment.

### Taxation

Tax on the profit or loss for the period comprises current and deferred tax and is recognised in the income statement.

#### *Current income tax*

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous periods.

Taxable profit differs from the profit on ordinary activities before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods. This includes the effect of tax allowances and further excludes items that are never taxable or deductible.

#### *Deferred tax*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax is measured on a non-discounted basis using tax rates enacted or substantively enacted at the balance sheet date and that are expected to apply in the period when the deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised only to the extent that it is probable that sufficient future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

### Critical accounting judgements

The Directors do not consider there to be any critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the current and future financial statements of the Company.

### Critical accounting estimates and assumptions

In the process of applying the Company's accounting policies, the Company is required to make certain estimates and assumptions that it believes are reasonable based on available information.

Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from these estimates. The key assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date used in preparing these financial statements are as follows:

## Accounting policies (continued)

### Critical accounting estimates and assumptions (continued)

#### *Impairment of receivables*

The Company makes an estimate of the recoverable value of other receivables. When assessing impairment of other receivables, management considers factors such as credit rating of the receivable, the ageing profile of receivables and historical experience. Key estimates include listed Regulatory Capital Value (“RCV”) multiples and current economic RCV. See note 7 and note 9 for the net carrying value of the investment and loan receivables and, where applicable, any associated impairment provision on these balances.

#### *Impairment provision against investments and intercompany receivables*

In the current year, following an impairment assessment under IFRS 9, the Company raised an additional impairment provision against the investment in Kemble Water Finance Limited and intercompany loan receivable from Kemble Water Finance Limited. This impairment provision in the Statement of Financial Position, and the corresponding impairment loss and impairment of interest income on the intercompany loan recognised in the Income Statement, has been assessed through using key inputs, consisting of the year end economic RCV and an applied multiple to this. The multiple has been determined through consideration of a range of factors including listed water company RCV multiples. See notes 3, 5, 7 and 9 for the respective impacts on finance income, impairment losses, investment in subsidiaries and the impairment provision booked.

Management have assessed the sensitivity of the range of RCV multiples and confirmed that if the higher or lower multiple in the range was used this would result in a movement of £948.6 million decrease or £948.6 million increase in the impairment to the provision. Furthermore, management have confirmed that a movement in the RCV multiple either 0.01x higher or 0.01x lower will result a movement of £189.7 million decrease or £189.7 million increase in the impairment to the provision. Management have assessed a further sensitivity of this calculation and confirmed that a movement in the RCV multiple either 0.1x higher or 0.1x lower will result in a movement of £1,897.1 million decrease or £1,897.1 million increase in the impairment to the provision.

## Notes to the financial statements

### 1. Auditors' remuneration

The remuneration of the auditors, PricewaterhouseCoopers LLP, was borne by Thames Water Limited in both the current and preceding financial year. The total amount payable relating to the Company was £11,770 (2022: £11,000). No other fees were payable to PricewaterhouseCoopers LLP in respect of this Company during the year (2022: £nil).

### 2. Employees and Directors

#### Employees

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

#### Directors

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

The Directors' emoluments were as follows:

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

#### Highest paid Director

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

### 3. Finance income and expenses

#### Finance income

	2023 £m	2022 £m
Interest income on intercompany loans receivable	743.4	696.7
Reversal of interest income due to impairment of receivables	(32.5)	(249.3)
<b>Total</b>	<b>710.9</b>	<b>447.4</b>

#### Finance expenses

	2023 £m	2022 £m
Interest expense on loan notes	25.6	24.6
Interest expense on intercompany loans payable	0.6	-
<b>Total</b>	<b>26.2</b>	<b>24.6</b>

## Notes to the financial statements (continued)

### 3. Finance income and expenses (continued)

Net finance income	2023 £m	2022 £m
Interest income	710.9	447.4
Interest expense	(26.2)	(24.6)
<b>Net finance income</b>	<b>684.7</b>	<b>422.8</b>

The Company has an intercompany loan receivable due from Kemble Water Finance Limited, comprising £3,100.6 million (2022: £3,100.6 million) in principal, together with accrued interest of £4,513.3 million (2022: £4,345.6 million), both of which are offset to their recoverable amount by provisions for bad and doubtful debt. IFRS 9 stipulates that only interest income on the recoverable loan principal and interest should be recognised. As a result of the provisions for bad and doubtful debt raised on this intercompany loan receivable, the interest income recognised in the current period has been decreased by £32.5 million (2022: £249.3 million) so as to correctly disclose the amount of interest income on the recoverable portion of the loan.

### 4. Gains on financial instruments

	2023 £m	2022 £m
Gain on initial recognition of other payable <sup>1</sup>	17.0	-
Gain on settlement of financial liability <sup>2</sup>	178.9	-
<b>Total</b>	<b>195.9</b>	<b>-</b>

<sup>1</sup> In March 2023, the ultimate parent company, Kemble Water Holdings Ltd (“KWH”), issued £515.0 million of Convertible Loan Notes to its shareholders with net proceeds of £500.0 million after upfront fees. The net proceeds were cascaded to the Company by way of an intercompany loan mirroring the key terms of the external instruments, plus a 10 basis point margin. The intercompany loan was recognised at fair value. Refer to Note 10 “Other payables” for further information on the new intercompany loan. On initial recognition, the fair value of the intercompany loan was lower than the par value, resulting in a £17.0 million gain on initial recognition.

<sup>2</sup> In March 2023, KWH was substituted to become the issuer of the £310.4 million shareholder loan notes (on which the principal had increased to £539.8 million through capitalisation of interest), originally issued by the Company. The consideration for the substitution of the loan notes was satisfied by way of a new intercompany loan agreement under which the Company is the borrower and KWH is the lender, with the same key terms as the substituted loan notes. Refer to Note 10 “Other payables” for further information on the new intercompany loan. The fair value of the loan notes at the date of substitution was lower than the par value, resulting in a £178.9 million gain on settlement.

### 5. Net (impairment losses)/gain on reversal of impairment losses

	2023 £m	2022 £m
Impairment loss on investment in Kemble Water Finance Limited	(977.8)	-
Gain on impairment losses on loan receivable from Kemble Water Finance Limited	-	854.2
<b>Total</b>	<b>(977.8)</b>	<b>854.2</b>

As described in note 7, the Company has an investment with Kemble Water Finance Limited amounting £977.8 million (2022: £1.0 million) in the period. Furthermore, as described in note 9, the Company has an intercompany loan receivable due from Kemble Water Finance Limited, comprising £3,100.6 million (2022: £3,100.6 million) in principal, together with accrued interest of £4,513.3 million (2022: £4,345.6 million). As a result of the impairment raised in the period on the investment and intercompany loan, a net loss of £977.8 million (2022: net gain of £854.2 million) has been recognised in the Income Statement. The reversal has been recognised following an analysis of the investment and loan receivable’s recovery in line with IFRS 9.

## Notes to the financial statements (continued)

### 6. Tax charge on (loss)/profit

	2023 £m	2022 £m
<b>Current tax</b>		
Amounts payable in respect of group relief – current year	142.0	132.4
Adjustments in respect of prior periods – group relief	-	(11.9)
	<b>142.0</b>	<b>120.5</b>
<b>Deferred tax</b>		
Adjustments in respect of prior periods	-	0.7
	-	0.7
<b>Tax charge on (loss)/profit</b>	<b>142.0</b>	<b>121.2</b>

The tax charge for the year ended 31 March 2023 is lower than (2022: lower than) the standard rate of corporation tax of 19% (2022: 19%) in the UK. The differences are explained below:

	2023 £m	2022 £m
<b>(Loss)/Profit before taxation</b>	<b>(97.2)</b>	<b>1,277.0</b>
Corporation tax at 19% (2022: 19%) on (loss)/profit before tax	<b>(18.5)</b>	242.6
<i>Effects of:</i>		
Non-taxable impairment/(release of impairment) of investment and receivables	<b>192.0</b>	(114.9)
Non-taxable gain on settlement of financial liability	<b>(34.0)</b>	-
Deduction for deferred interest on Eurobond loan notes capitalised into principal	<b>(2.4)</b>	-
Group relief paid in excess of statutory corporation statutory tax rate <sup>1</sup>	<b>4.9</b>	4.7
Adjustments in respect of prior periods – current tax	-	(11.9)
Adjustments in respect of prior periods – deferred tax	-	0.7
<b>Total tax charge</b>	<b>142.0</b>	<b>121.2</b>

<sup>1</sup> For the years ended up to and including 31 March 2019, the Group's disallowance under the Corporate Interest Restriction ("CIR") rules had been allocated to the Company. For the year ended 31 March 2020 onwards, the Company's subsidiary (Kemble Water Finance Ltd, "KWF") has borne the Group's CIR disallowance. During the year, the Company bought group relief from KWF at a rate in excess of the corporation tax rate in order to compensate KWF for bearing the element of the Group's CIR disallowance that is attributable to the Company's shareholder debt (see note 11). This results in an additional £4.9 million of group relief payable to KWF (see note 10) in respect of the current year (2022: £4.7 million). As the Company no longer holds the shareholder debt, no further such amounts will accrue in future.

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

## Notes to the financial statements (continued)

### 7. Investments in subsidiaries

	<b>2023</b>	<b>2022</b>
	<b>£m</b>	<b>£m</b>
<b>Cost</b>		
At 31 March	4.2	4.2
Additional investment in Kemble Water Finance Limited	976.8	-
	<b>981.0</b>	<b>4.2</b>
<b>Accumulated impairment</b>		
At 31 March	(3.2)	(3.2)
Impairment in Kemble Water Finance Limited	(977.8)	-
	<b>(981.0)</b>	<b>(3.2)</b>
 Net book value	 -	 1.0

See note 15 for the principal interests held by the Company at 31 March 2023. The investment in Thames Water Commercial Ventures Holdings Limited remains fully impaired reflecting its estimated recoverable value. In the opinion of the Directors, the recoverable value of the investments is not less than the amount included in the balance sheet.

In March 2023, the ultimate parent company, Kemble Water Holdings Limited issued £515.0 million of Convertible Loan Notes to shareholders with net proceeds of £500.0 million after upfront fees. The net proceeds were cascaded to the Company by way of an intercompany loan mirroring the key terms of the external instruments, plus a 10 basis point margin. The Company used £476.8 million of the proceeds to increase its investment into the equity of Kemble Water Finance Limited, ("KWF") and used £23.2 million to settle group relief liabilities owed to KWF. KWF used the combined proceeds to settle £500.0 million of interest owed on its £3.1 billion intercompany loan from the Company, which the Company then used to invest in a further £500.0 million of equity in KWF, resulting in a total increase in the investment in KWF of £976.8 million (2022: £nil). The net proceeds were further cascaded by KWF to Thames Water Utilities Limited via intermediate holding companies.

The investment in Kemble Water Finance Limited was fully impaired in the current period reflecting its estimated recoverable value in line with IFRS 9 as discussed in note 9. In the opinion of the Directors, the recoverable value of the investments is not less than the amount included in the balance sheet.

### 8. Deferred tax asset

An analysis of movement in the deferred tax asset previously recognised by the Company is set out below. The deferred tax asset arose in respect of interest payable which had not yet received tax relief.

	<b>2023</b>	<b>2022</b>
	<b>£m</b>	<b>£m</b>
At the beginning of the year	-	0.7
Charged to income statement	-	(0.7)
 At the end of the year	 -	 -

The Company has no recognised deferred tax assets or liabilities at 31 March 2023. In prior years, the Company had recognised a deferred tax asset in respect of interest payable which had not yet received tax relief. As the Company no longer anticipated receiving tax relief for this amount in the future, the deferred tax asset was derecognised in the prior year. The total amount of deferred tax asset unrecognised at 31 March 2023 was £17.9 million (2022: £26.8 million) which has been calculated at 25% (2022: 25%).

## Notes to the financial statements (continued)

### 9. Other receivables

	2023 £m	2022 £m
<b>Amounts owed by group undertakings:</b>		
Kemble Water Finance Limited	3,100.6	3,100.6
Thames Water Commercial Ventures Holdings Limited	4.5	4.5
Provision for bad and doubtful debt	(4.5)	(4.5)
	<b>3,100.6</b>	<b>3,100.6</b>
<b>Interest receivable on amounts owed by group undertakings</b>		
Kemble Water Finance Limited	4,513.3	4,345.6
Thames Water Commercial Ventures Holdings Limited	2.0	1.6
Provision for bad and doubtful debt	(2,562.3)	(2,529.8)
	<b>1,953.0</b>	<b>1,817.4</b>
<b>Total</b>	<b>5,053.6</b>	<b>4,918.0</b>

The above intercompany loans are unsecured and include the following agreements:

- £3,100.6 million (2022: £3,100.6 million) owed by Kemble Water Finance Limited (“KWF”), a subsidiary undertaking. The loan is unsecured, incurs interest at 10% (2022: 10%) and is repayable on demand. During the year, £742.2 million (2022: £696.5 million) of interest accrued on this loan of which KWF paid £574.5 million (2022: £216.1 million).
- £4.5 million (2022: £4.5 million) owed by Thames Water Commercial Ventures Holdings Limited (“TWCVHL”), a subsidiary undertaking. The loan facility is unsecured, incurs interest at SONIA + 7.28% (2022: LIBOR + 7%) and is repayable on demand. On 14 June 2022, the £4.5 million loan that originally referenced LIBOR was transitioned to SONIA on an economically equivalent basis. No gain or loss was recognised on transition as the Phase 2 reliefs were met.

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

On transition to IFRS 9 a lifetime expected credit loss was recognised. The Company determined the expected credit loss of the investment and loan by estimating the expected recoverability based on different scenarios under which the Company expect repayment will or could be made. As a result of this assessment the investment and loans are considered to be in ‘stage 3’ of the IFRS 9 impairment assessment. The Company accrues interest on the loan on the principal. However, an impairment provision is recognised on this such that a net amount, that is deemed recoverable based on the calculations performed on transition, is recognised in the Income Statement each year. Any additional impairment losses have first been set off against the investment held with that company, and any remaining impairment provided for against the loan receivable.

A similar exercise has been carried out for the year ended 31 March 2023. The Company has made this assessment by estimating the current expected enterprise valuation of the borrower derived through the application of an observable market multiplier uplift to RCV of the underlying regulatory business (Thames Water Utilities Limited) which is a subsidiary of the counterparty. This provides the best estimate of the cashflows that will be available to repay the principal and interest. Changes in these RCV multiples could result in a variation to the recoverable amount. A range of scenarios have been used in the calculation which use different RCV multiples to which management have applied a probability weighting. Each of these scenarios have been used to determine the recoverable amount of the investment and loan receivable.

## Notes to the financial statements (continued)

### 9. Other receivables (continued)

The Company has recognised an additional £1,010.3 million (2022: £604.9 million reversal) of the provision for bad and doubtful debt against the investment with Kemble Water Finance Limited and loan receivable due from Kemble Water Finance Limited. This follows a multiple factor recoverability assessment performed by management in line with IFRS 9. As explained in notes 3 and 5, this is offset against the correction of the interest income raised in the period by £32.5 million (2022: £249.3 million); and additional provision for bad debts has led to a corresponding impairment loss of £977.8 million (2022: gain on reversal of impairment losses of £854.2 million), both of which are recognised in the Income Statement.

### 10. Other payables

	2023 £m	2022 £m
Group relief payable	271.7	152.9
Amounts owed to group undertakings	857.4	-
<b>Total</b>	<b>1,129.1</b>	<b>152.9</b>
Amounts falling due after more than one year	857.4	-
Amounts falling due within one year	271.7	152.9
<b>Amounts owed to group undertakings:</b>		
Kemble Water Holdings Limited	857.3	-
	<b>857.3</b>	-
<b>Interest receivable on amounts owed by group undertakings</b>		
Kemble Water Holdings Limited	0.1	-
	<b>0.1</b>	-
<b>Total</b>	<b>857.4</b>	<b>-</b>

The above amounts owed to group undertakings include two intercompany loans that are unsecured.

In March 2023, the Company capitalised into principal the deferred interest on the Eurobond loan notes previously issued by the Company and held by shareholders of the ultimate parent company, Kemble Water Holdings Limited (“KWH”). KWH was then substituted to become the issuer of the £310.4 million shareholder loan notes (on which the principal had increased to £539.8 million through capitalisation of interest), and in consideration an intercompany loan from KWH was entered into by the Company with the same key terms of the substituted loan notes.

The intercompany loan from KWH has an original notional value of £539.8 million with an interest rate of 4.83%. Interest is payable on 30 September and 31 March of each year, and the Company also has the option to capitalise the accrued interest, in whole or in part. The intercompany loan was initially recognised at fair value, and subsequent measurement is on an amortised cost basis. The fair value of the loan notes at the date of substitution was lower than the par value, resulting in a £178.9 million gain on settlement (refer to Note 4 “Gains on financial instruments”). As at 31 March 2023, the carrying value of the intercompany loan was £374.0 million comprising the initial fair value of £373.7 million, £0.2 million of capitalised interest and £0.1 million amortisation.

Furthermore, in March 2023, the ultimate parent company, Kemble Water Holdings Limited issued £515.0 million of Convertible Loan Notes to shareholders with net proceeds of £500.0 million after upfront fees. The net proceeds were cascaded to the Company by way of an intercompany loan mirroring the key terms of the external instruments, plus a 10 basis point margin. The Company used £476.8 million of the proceeds to increase its investment into the equity of Kemble Water Finance Limited, (“KWF”) and used £23.2 million to settle group relief liabilities owed to KWF. KWF used the combined proceeds to settle £500.0 million of interest owed on its £3.1 billion intercompany loan from the Company, which the Company then used to invest in a further £500.0 million of equity in KWF, resulting in a total increase in the investment in KWF of £976.8 million (2022: £nil). The net proceeds were further cascaded by KWF to Thames Water Utilities Limited via intermediate holding companies.

## Notes to the financial statements (continued)

### 10. Other payables (continued)

The intercompany loan from KWH has an original notional value of £500.0 million with an interest rate of 8.1%. Interest is payable on 31 March of each year, and the Company also has the option to capitalise the accrued interest, in whole or in part. The intercompany loan was initially recognised at fair value, and subsequent measurement is on an amortised cost basis. The fair value of the intercompany loan on initial recognition was lower than the par value, resulting in a £17.0 million gain on initial recognition (refer to Note 4 “Gains on financial instruments”). As at 31 March 2023, the carrying value of the intercompany loan was £483.3 million comprising the initial fair value of £483.0 million, £0.2 million of capitalised interest and £0.1 million of amortisation.

### 11. Borrowings

	2023 £m	2022 £m
Loan notes	-	501.4
Interest payable on loan notes	-	25.7
<b>Total</b>	<b>-</b>	<b>527.1</b>
Amounts falling due after more than one year	-	527.1
Amounts falling due within one year	-	-

In March 2023, the Company capitalised into principal the deferred interest on the Eurobond loan notes previously issued by the Company and held by the shareholders of the ultimate parent company, Kemble Water Holdings Limited (“KWH”). KWH was then substituted to become the issuer of the resulting £539.8 million of Eurobond loan notes, and in consideration an intercompany loan agreement was entered into under which the Company is the borrower and KWH is the lender, with the same key terms as the substituted loan notes. Refer to Note 10 “Other payables” for information on the new intercompany loan.

The fair value of the loan notes at the date of substitution was lower than the par value, resulting in a £178.9 million gain on settlement (refer to Note 4 “Gains on financial instruments”).

### 12. Called up share capital

	2023 £m	2022 £m
<i>Authorised, allotted, called up and fully paid:</i>		
1,000,000 (2022: 1,000,000) ordinary shares of £1 each (2022: £1)	<b>1.0</b>	1.0

The Company has one class of ordinary share which carries no right to fixed income. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

### 13. Related parties

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

The Company incurred interest of £25.6 million in the year (2022: £24.6 million), relating to loan notes previously issued by the Company and held by shareholders of the ultimate parent company, KWH. KWH was then substituted to become the issuer of the resulting £539.8 million of Eurobond loan notes, and in consideration an intercompany loan from KWH was entered into by the Company with the same key terms of the substituted loan notes. Refer to Note 10 Other payables for more information.

## Notes to the financial statements (continued)

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

The Directors consider the immediate and ultimate parent company and controlling party to be Kemble Water Holdings Limited, a company incorporated in the United Kingdom, which owns 100% of the issued share capital of the Company. The parent company represents both the smallest and largest group to consolidate these financial statements. The address of the registered office of Kemble Water Holdings Limited is Clearwater Court, Vastern Road, Reading, Berkshire, RG1 8DB. Copies of the accounts of the parent company may be obtained from The Company Secretary's Office at this address.

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

At 31 March 2023 the Company held the following principal interests, all of which are either wholly or jointly owned either directly or indirectly through its subsidiary investments.

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

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