

Registered no: 02909020 (England & Wales)

Thames Water Overseas Limited

**Annual report and financial statements
For the year ended 31 March 2020**



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Directors and advisors

Directors

D Hughes
M Bamford

Independent auditors

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

Company Secretary and registered office

D Hughes
S Billett
Clearwater Court
Vastern Road
Reading
Berkshire
RG1 8DB

Strategic Report

The Directors present their Strategic Report for Thames Water Overseas Limited ("the Company") for the year ended 31 March 2020.

Business review

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

The Company primarily exists as the United Kingdom holding company of the Group's legacy investments in foreign operations including those located in Thailand and Singapore. Following a strategic review by the Group in a previous period it was determined primarily to focus on the Group's operations within the United Kingdom. However, it is expected to continue as a holding company for the foreseeable future.

In addition to its role as an investment holding company, the Company is also the sponsoring employer in a defined benefit pension scheme, the Thames Water Asia/Pacific Superannuation Plan (the "Plan"), which is a legacy of the Group's Australian operations. The latest triennial valuation, which was undertaken as at 1 July 2018 on behalf of the pension Trustees by Aon Hewitt Limited, was signed on 24 December 2018. Based on this an accounting valuation was performed by Aon Hewitt Limited, an independent and professionally qualified consulting actuary. As at 31 March 2020, the scheme is in deficit of £33,000 (2019: deficit of £45,000).

Key performance indicators

The Directors have determined that the result before tax and the net assets or liabilities are the most appropriate key performance indicators for an understanding of the development, performance and position of the Company. For the year ended 31 March 2020 the Company made a profit before tax of £472,000 (2019: loss of £76,000). This has been predominately driven by the reversal of an impairment against an intercompany receivable from a subsidiary of £487,000 as it is now expected that the Company will receive this on settlement of the receivable.

As at 31 March 2020, the Company had net liabilities of £212,441,000 (2019: £212,902,000). This performance is in line with expectations and the Directors have no concerns regarding the performance or position of the Company.

Principal risks and uncertainties

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

(i) Price risk

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

(ii) Credit risk

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

(iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due which include the Company's role as the sponsoring employer in a defined benefit pension scheme which currently show a deficit between the value of the schemes assets and its projected liabilities. The Company has received a letter of support from its ultimate parent company, Kemble Water Holdings Limited, confirming that it will provide support as necessary to enable it to meet its liabilities as they fall due for a period of 12 months from the signing of these financial statements. The Directors are satisfied to place reliance on this

Strategic Report (continued)

Principal risks and uncertainties (continued)

(iii) Liquidity risk (continued)

support based on a review of the Group's budget and business plan, as well as consideration given that all borrowings are to other intercompany entities.

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

From the perspective of the Company all other risks and uncertainties not disclosed above are integrated with the principal risks of the Group and are not managed separately. The principal risks of the Group are disclosed in the financial statements of the ultimate controlling parent Kemble Water Holdings Limited. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company not disclosed above, are discussed in the Group's annual report which does not form part of this report. The Group's annual report is available from the address shown in note 12 on page 26.

Future outlook

The Company is expected to continue to act as an intermediate holding company within the Group. Management has assessed the likely impact of COVID-19 to the financial position of the Company and has concluded that at present it is not expected to affect the Company's ability to continue as a going concern for a period of at least 12 months from the signing of these financial statements. However, in light of the current situation, the Directors have sought a letter of support from the ultimate parent company, Kemble Water Holdings Limited to support the going concern basis. The developing and uncertain situation in respect of the COVID-19 pandemic continues to be closely monitored.

The United Kingdom (UK) has left the European Union (EU) on 31 January 2020 with the intent of completing a new trade agreement by the end of 2020 and it is not yet clear whether a new trade agreement will be in place between the UK and the EU by then. The company expects that leaving the EU (and the customs union) will not have a significant impact on the Company.

s172 reporting

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

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

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

During the year, the Company has continued to act as an intermediate holding company within the Kemble Water Holdings Limited group. Day-to-day running of the Company is managed by the Company's management team, consisting of employees from the Group's main trading company, Thames Water Utilities Limited. With the exception of the approval of the Company's annual report and financial statements, no significant decisions requiring the approval of The Board of Directors have been made during

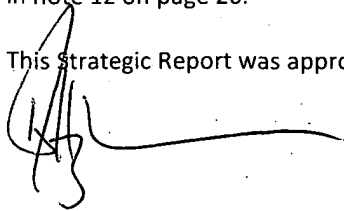
Strategic Report (continued)

s172 reporting (continued)

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

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

This Strategic Report was approved by the Board of Directors on 29 June 2020 and signed on its behalf by:



David Hughes
Director

Clearwater Court
Vastern Road
Reading
Berkshire
RG1 8DB

Directors' Report

The Directors present their annual report and the audited financial statements of Thames Water Overseas Limited for the year ended 31 March 2020. The Directors consider that the annual report and financial statements, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's performance and strategy.

The registered number of the Company is 02909020 (United Kingdom).

Directors

The Directors who held office during the year ended 31 March 2020 and to the date of this report were:

D Hughes

T Lewis (Resigned 26th July 2019)

M Bamford (Appointed 26th July 2019)

During the year under review, none of the Directors had any contracts with the Company or any other body corporate other than their contracts of service (2019: none).

Future outlook

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

Dividends

The Company has paid no dividends during either the current or preceding financial year and the Directors do not recommend the payment of a final dividend (2019: £nil).

Financial risk management

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

The Company's operations expose it to a variety of financial risks which are described in the Strategic Report on pages 4 and 5.

Going concern

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

Management has assessed the likely impact of COVID-19 to the financial position of the Company and has concluded that at present it is not expected to affect the Company's ability to continue as a going concern for a period of at least 12 months from the signing of these financial statements. However, in light of the current situation, the Directors have sought a letter of support from the Company's ultimate parent company, Kemble Water Holdings to support the going concern basis. The developing and uncertain situation in respect of the COVID-19 pandemic continues to be closely monitored.

The Directors have reviewed the Group's financial forecasts for the forthcoming financial year, considered the Group's compliance with its covenants and the cash, current asset investments and available borrowing facilities available at 31 March 2020 in making their assessment of the Group's going concern.

The Directors believe, after due and careful enquiry, and taking into account the support of the ultimate parent company, that the Company has sufficient resources for its present requirements and is able to meet its liabilities as they fall due for the foreseeable future. For these purposes the foreseeable future is taken to mean a period of at least 12 months from the date of approval of these financial statements. On this basis the Directors consider it appropriate to prepare the financial statements on a going concern basis.

Directors' Report (continued)

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 (2019: £nil).

Directors' indemnities

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

Disclosure of information to the auditors

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

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

Independent Auditor

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

Approved by the Board of Directors on 29 June 2020 and signed on its behalf by:



David Hughes
Director

Clearwater Court
Vastern Road
Reading
Berkshire
RG1 8DB

Statement of Directors' responsibilities in respect of the annual report and financial statements

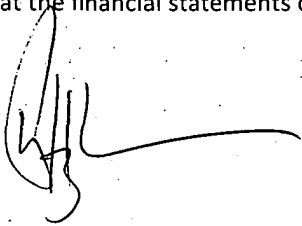
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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 the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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 also 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 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.



David Hughes
Director

Clearwater Court
Vastern Road
Reading
Berkshire
RG1 8DB

29 June 2020

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 31 March 2020; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; the Accounting policies; and the notes to the financial statements.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

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

Reporting on other information (continued)

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 2020 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 annual report and 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.

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

We have no exceptions to report arising from this responsibility.

KE Km

Katharine Finn (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
29 June 2020

Income statement

For the year ended 31 March

| | Note | 2020 £'000 | 2019 £'000 |
|---|------|---------------|---------------|
| Other expenses | 1 | (15) | (76) |
| Reversal of previously recognised impairment losses | 3 | 487 | - |
| Profit/(Loss) before income tax | | 472 | (76) |
| Income tax credit | 4 | - | 2 |
| Profit/(Loss) for the year | | 472 | (74) |

Statement of comprehensive income

For the year ended 31 March

| | | 2020 £'000 | 2019 £'000 |
|--|---|---------------|---------------|
| Profit/(Loss) for the financial year | | 472 | (74) |
| <i>Items that will not be reclassified to the income statement</i> | | | |
| Net actuarial losses on defined benefit pension scheme | 8 | (9) | (22) |
| Deferred tax on net actuarial losses | 8 | (2) | 2 |
| Other comprehensive loss for the year | | (11) | (20) |
| Total comprehensive income/(loss) for the year | | 461 | (94) |

All amounts relate to continuing operations.

The accounting policies and notes on pages 15 to 26 are an integral part of these financial statements.

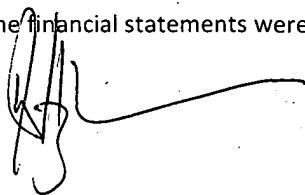
Statement of financial position

As at 31 March

| | Note | 2020 £'000 | 2019 £'000 |
|---|------|------------------|------------------|
| Non-current assets | | | |
| Investment in subsidiaries | 5 | - | - |
| Deferred tax asset | 8 | 6 | 8 |
| Trade and other receivables | 6 | 12,524 | 12,524 |
| | | 12,530 | 12,532 |
| Current assets | | | |
| Trade and other receivables | 6 | 413 | - |
| Cash and cash equivalents | | 290 | 247 |
| Trade and other payables – amounts due within one year | 7 | (46) | (41) |
| Net current assets | | 657 | 206 |
| Total assets less current liabilities | | 13,187 | 12,738 |
| Trade and other payables – amounts falling due after more than one year | 7 | (225,595) | (225,595) |
| Retirement benefit obligations | 8 | (33) | (45) |
| | | (225,628) | (225,640) |
| Net liabilities | | (212,441) | (212,902) |
| Equity | | | |
| Called up share capital | 9 | - | - |
| Accumulated losses | | (212,441) | (212,902) |
| Total shareholders' funds | | (212,441) | (212,902) |

The accounting policies and notes on pages 15 to 26 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 29 June 2020 and signed on its behalf by:



David Hughes
Director

Registered number: 02909020 (England & Wales)

Statement of changes in equity

For the year ended 31 March

| | Called up share capital £'000 | Accumulated losses £'000 | Total shareholders' funds £'000 |
|---|--|--------------------------------|--|
| At 1 April 2018 | - | (212,808) | (212,808) |
| Loss for the financial year | - | (74) | (74) |
| Actuarial loss on pension scheme | - | (22) | (22) |
| Movement on deferred tax relating to actuarial loss | - | 2 | 2 |
| At 31 March 2019 | - | (212,902) | (212,902) |
| Profit for the financial year | - | 472 | 472 |
| Actuarial loss on pension scheme | - | (9) | (9) |
| Movement on deferred tax relating to actuarial loss | - | (2) | (2) |
| As at 31 March 2020 | - | (212,441) | (212,441) |

The accounting policies and notes on pages 15 to 26 are an integral part of these financial statements.

Accounting policies

The following accounting policies have been adopted in the preparation of these financial statements. They have been applied consistently in dealing with items which are considered material, except as noted below:

General information

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

The Company's principal activity is that of an intermediate holding company in the Kemble Water Holdings Limited group of companies ("the Group"), and remains unchanged from the previous year. The Company primarily exists as the United Kingdom holding company of the Group's legacy investments in foreign operations including those located in Thailand and Singapore.

Basis of Preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The financial statements have been prepared under the historical cost convention in accordance with the Companies Act 2006 and on a going concern basis.

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

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

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

Accounting policies (continued)

Basis of preparation (continued)

The Company's ultimate parent undertaking, Kemble Water Holdings Limited ("KWH") includes the Company in its consolidated financial statements. The address of the registered office of KWH is Clearwater Court, Vastern Road, Reading, Berkshire, RG1 8DB. The consolidated financial statements of KWH are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU adopted IFRSs") and are available to the public and may be obtained from The Company Secretary's Office at this address.

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

Going Concern

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

Management has assessed the likely impact of COVID-19 to the financial position of the Company and has concluded that at present it is not expected to affect the Company's ability to continue as a going concern for a period of at least 12 months from the signing of these financial statements. However, in light of the current situation, the Directors have sought a letter of support from the ultimate parent company, Kemble Water Holdings to support the going concern basis. The developing and uncertain situation in respect of the COVID-19 pandemic continues to be closely monitored.

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

The Directors believe, after due and careful enquiry, and taking into account the support of the ultimate parent company, that the Company has sufficient financial resources for its present requirements and is able to meet its liabilities as they fall due for the foreseeable future. For these purposes the foreseeable future is taken to mean a period of at least twelve months from the date of approval of these financial statements. On the basis the Directors consider it appropriate to prepare the financial statements on a going concern basis.

New standards and amendments

IFRS 16: Leases is a new accounting standard which is effective for the year ended 31 March 2020. The Company does not have any leases and does not intend to enter into any contracts for leases in the future. Management has concluded that the adoption of IFRS 16 has had no impact on the Company as of the date transition of during the year ended 31 March 2020 as there are no leases held by the Company that fall within the scope of IFRS 16.

There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2020 that have had a material impact on the company's financial statements.

Non-current asset investment in subsidiaries

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

Non-derivative financial instruments

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity. Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables.

Accounting policies (continued)

Trade and other receivables

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

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and demand deposits and other short-term highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value. Such investments are normally those with less than three months maturity from the date of acquisition and include cash and bank balances and investments in liquid funds.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Impairment of financial assets (including receivables)

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. There is an annual impairment review for intercompany receivables which assesses the ability of the entity to pay them based on a range of factors including, their net assets position and risk affected forecasts of future cash flows of the underlying investment.

Retirement and other employment benefits

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

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

Accounting policies (continued)

Retirement and other employment benefits (continued)

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

Changes in retirement benefit obligation may arise from:

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

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

Foreign currency

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

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

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

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in the statement of comprehensive income.

Current income tax

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

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

Deferred tax

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

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

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

Accounting policies (continued)

Critical accounting estimates and judgements

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

Critical accounting estimates and assumptions

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

Impairment of receivables, including intercompany loan receivable

The Company makes an estimate of the recoverable value of trade and other receivables, including intercompany loan receivables. When assessing the impairment of trade and other receivables, management considers factors such as their net assets position and risk affected forecasts of future cash flows of the underlying investment. See note 6 for the net carrying value of the receivables and, where applicable, any associated impairment provision.

Impairment of investments in subsidiaries

Determining whether the company's investments in subsidiaries have been impaired requires estimations of the investments' values in use. The value-in-use calculations require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. See note 5 for the net carrying value of the investments and associated impairment provision.

Retirement benefit obligations

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

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

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

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

Critical judgements in applying the entity's accounting policies

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

Notes to the financial statements

1. Other expenses

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Legal and professional fees | 5 | - |
| Release of provision/accrual | - | (4) |
| Consultancy | 6 | - |
| Fees and Licences | 10 | - |
| Bad and doubtful debt provision against intercompany receivable from subsidiary | - | 104 |
| Exchange (gains)/losses | (6) | (24) |
| Total | 15 | 76 |

The auditors', PricewaterhouseCoopers LLP, remuneration was borne by Thames Water Limited in both the current and preceding financial year. The total amount payable relating to the Company was £3,500 (2019: £2,750). No other fees were payable to PricewaterhouseCoopers LLP in respect of this Company during the year (2019: £nil).

2. Employees and Directors

Employees

The Company had no employees during the year (2019: nil).

Directors

The current Directors received no remuneration in respect of their services to the Company, as none were qualifying services, in both the current and preceding financial year. There were no retirement benefits accruing in either the current or preceding financial year. Directors remuneration costs are borne by other members of the Kemble Water Group of Companies and no recharge is made to Thames Water Overseas Limited for their services.

3. Reversal of previously recognised impairment losses

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Reversal of previously recognised impairment on receivables in Thames Water International (Thailand) Limited | 487 | - |
| Total | 487 | - |

The impairment previously recognised against the intercompany receivable from Thames Water International (Thailand) Limited, was reversed as it is now expected that the Company will receive this on settlement of the receivable.

Notes to the financial statements (continued)

4. Tax on profit/(loss)

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Amounts receivable in respect of group relief | 5 | 2 |
| Adjustments in respect of previous periods | (5) | - |
| Total tax recognised in the income statement | - | 2 |

The tax assessed for the period is lower (2019: higher) than the standard rate of corporation tax in the UK of 19% (2019: 19%).
The differences are explained below:

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Profit/(Loss) before tax | 472 | (76) |
| Current tax at 19% (2019: 19%) | (90) | 14 |
| <i>Effects of:</i> | | |
| Income not taxable/(expenses not deductible) | 95 | (12) |
| Adjustments in respect of previous periods | (5) | - |
| Total tax | - | 2 |

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. However, this reduction was reversed in the March 2020 Budget and substantively enacted on 17th March 2020. Therefore, effective 1 April 2020 the corporation tax rate remains at 19% and the deferred tax asset at 31 March 2020 has been calculated based on this rate.

The deferred tax expense of £2,000 (2019: credit of £2,000) included in the statement of comprehensive income relates to the movement in the deferred tax asset on retirement benefit obligations as shown in note 8.

5. Investment in subsidiaries

| | 2020 £'000 | 2019 £'000 |
|------------------------|---------------|---------------|
| <i>Cost:</i> | | |
| At 1 April | 14,293 | 18,403 |
| Disposal | - | (4,110) |
| At 31 March | 14,293 | 14,293 |
| <i>Impairment:</i> | | |
| At 1 April | (14,293) | (18,403) |
| Reversal of impairment | - | 4,110 |
| At 31 March | (14,293) | (14,293) |
| Net book value | - | - |

Notes to the financial statements (continued)

5. Investment in subsidiaries (continued)

The Company has the following direct investments in subsidiary undertakings at 31 March 2020, all of which are wholly owned:

| | Principal undertaking | Country of incorporation | Tax resident | Registered office | Class of shares held |
|---|-----------------------|--------------------------|--------------|--|-----------------------|
| Thames Water Asia Pte Limited | Legacy operations | Singapore | Singapore | 80 Robinson Road #02-00, Singapore, 68898 | Ordinary |
| Thames Water International (Thailand) Limited | Legacy operations | Thailand | Thailand | 999/9 The offices at Central World, 29th Floor, Unit 2973K, Rama I Road, Kwaeng Pathumwan, Khet Pathumwan, Bangkok | Ordinary & Preference |

6. Trade and other receivables

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| <i>Amounts owed by group and subsidiary undertakings:</i> | | |
| Thames Water Limited | 12,524 | 12,524 |
| Thames Water International (Thailand) Limited | 413 | 487 |
| | 12,937 | 13,011 |
| Provision for bad and doubtful debt | - | (487) |
| Total | 12,937 | 12,524 |
| Disclosed within non-current assets | 12,524 | 12,524 |
| Disclosed within current assets | 413 | 0 |

Amounts owed by group undertakings include loans totalling £12,937,000 (2019: £12,524,000) which are unsecured, interest free and repayable on demand. While the loans are repayable on demand, the Directors do not anticipate seeking any repayment within 12 months.

7. Trade and other payables

| | 2020 £'000 | 2019 £'000 |
|--|----------------|----------------|
| Accruals and deferred income | - | 1 |
| Group relief receivable | (2) | (2) |
| Amounts owed to group undertakings | 225,600 | 225,595 |
| Other provisions | 43 | 42 |
| Total | 225,641 | 225,636 |
| Amounts falling due after more than one year | 225,595 | 225,595 |
| Amounts falling due within one year | 46 | 41 |

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

Notes to the financial statements (continued)

Amounts owed to group undertakings:

| | 2020 £'000 | 2019 £'000 |
|--|----------------|----------------|
| Thames Water Limited | 154,759 | 154,754 |
| Thames Water International Services Holdings Limited | 69,242 | 69,242 |
| Thames Water International Services Limited | 1,599 | 1,599 |
| Total | 225,600 | 225,595 |

Amounts owed to group undertakings relate to non-interest bearing, unsecured loans from other Group companies, which are repayable on demand but by no later than 30 August 2037. While the loans are repayable on demand, the Directors do not anticipate any repayment within 12 months and letters of comfort have been obtained from the counterparty to confirm that no repayment will be sought for at least 12 months from the date of signing of the financial statements.

8. Retirement benefit obligation

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

The latest triennial valuation was undertaken as at 1 July 2019 on behalf of the pension Trustees by Aon Hewitt Limited, the independent and professionally qualified consulting actuaries to the scheme. The Company has taken advice from Aon Hewitt Limited in respect of the funding position of Thames Water Asia/Pacific Superannuation Plan ("TWAPSP").

The Company contributes all of the contributions into the scheme and any consequence of there being a surplus or deficit in the scheme is borne by the Company. Accordingly, the Directors have considered it appropriate to recognise the net deficit of the pension scheme within these financial statements. In the financial year ended 31 March 2020 payments of £32,000 were made (2019: £11,000). This contribution was made between the annual (and triennial) valuation at 1 July 2019 and the year ended 31 March 2020 and therefore the scheme assets have been updated accordingly.

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

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Equities | 66 | 67 |
| Bonds | 165 | 169 |
| Property | 17 | 17 |
| Cash | 27 | 28 |
| Fair value of scheme assets | 275 | 281 |
| Present value of defined benefit obligations | (308) | (326) |
| Liability recognised in the statement of financial position | (33) | (45) |
| Deferred tax asset | 6 | 8 |
| Net pension liability | (27) | (37) |

Notes to the financial statements (continued)

8. Retirement benefit obligation (continued)

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

| | 2020 £'000 | 2019 £'000 |
|----------------------------------|---------------|---------------|
| At 1 April | 281 | 307 |
| Employer contributions | 32 | 11 |
| Expected return on scheme assets | 17 | 16 |
| Contributions tax | (2) | (2) |
| Net benefit paid out | (40) | (41) |
| Administration expenses | (10) | (8) |
| Exchange rate movement | (3) | (2) |
| At 31 March | 275 | 281 |

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

| | 2020 £'000 | 2019 £'000 |
|------------------------|---------------|---------------|
| At 1 April | 326 | 341 |
| Actuarial losses | 26 | 18 |
| Exchange rate movement | (4) | 8 |
| Net benefit paid out | (40) | (41) |
| At 31 March | 308 | 326 |

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

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Cumulative actuarial losses recognised at 1 April | (254) | (234) |
| Actuarial movement on pension scheme | (9) | (22) |
| Deferred tax arising on movement on pension scheme | (2) | 2 |
| Cumulative actuarial losses recognised at 31 March | (265) | (254) |

Actuarial risk factors

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

Investment risk arises because the Company's contributions to the schemes are based on expected returns from scheme assets based on actuarial assumptions. If these assets underperform the pension deficit will increase.

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

Notes to the financial statements (continued)

8. Retirement benefit obligation (continued)

Actuarial assumptions

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

| | 2020 % | 2019 % |
|---|-----------|-----------|
| Rate of increase to pensions in payment – CPI | 2.5% | 2.5% |
| Net investment return | 5.3% | 5.3% |

In valuing the liabilities for the accounting valuation at 1 July 2019 mortality assumptions have been made per the Australian Life Tables 2010-12 rated down by two years to allow for increasing longevity. This is the same assumption used in the last triennial valuation at 1 July 2018.

9. Called up share capital

| | 2020 £ | 2019 £ |
|--|-----------|-----------|
| <i>Allotted, called up and fully paid:</i> | | |
| 2 (2019: 2) ordinary shares of £1 each | 2 | 2 |

The Company has one class of ordinary share which carries no right to fixed income. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company. During the prior period one share was transferred from Thames Water Nominees Limited to Thames Water Limited.

10. Related parties

As the Company is a wholly owned subsidiary of the Group, the Company has taken advantage of the exemption contained in FRS 101 and has therefore not disclosed transactions or balances with other wholly owned subsidiaries which form part of the group. The consolidated financial statements of Kemble Water Holdings Limited, within which this Company is included, can be obtained from the address in note 12.

11. Guarantees and capital commitments

The Company has entered into a pooling arrangement whereby the Company and certain other group companies, including Thames Water Overseas Limited, have provided a joint guarantee over their assets and liabilities to National Westminster Bank Plc. This is in respect of borrowings of Thames Water Limited and certain other companies in the Thames Water Limited Group. The guarantee amount is limited to the cash held at the bank account of the Company which at 31 March 2020 amounted to £289,683 (2019: £247,410). At 31 March 2020, the Company had no capital commitments (2019: none).

Notes to the financial statements (continued)

12. Ultimate parent company and parent company of larger group

As at the year end, the immediate parent company of Thames Water Overseas Limited was Thames Water International Services Holdings Limited, a company incorporated in the United Kingdom and which owns 50% of the issued share capital of the Company. During the prior year one share was transferred from Thames Water Nominees Limited to Thames Water Limited and therefore the remaining 50% is owned by Thames Water Limited. Following the year end, one share was transferred from Thames Water International Services Holdings Limited to Thames Water Limited, this means that at the point of signing the accounts the Company is wholly owned by Thames Water Limited.

Kemble Water Finance Limited, a company incorporated in the United Kingdom, is the smallest group to consolidate these financial statements.

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

13. Post Balance Sheet Events

Following the year end, one share was transferred from Thames Water International Services Holdings Limited to Thames Water Limited, this means that at the point of signing the accounts the Company is wholly owned by Thames Water Limited. This was part of a wider exercise to liquidate a foreign subsidiary and two intermediate holding companies within the group.