



Sir Adrian Montague, CBE
Chairman

Sir Robert Goodwill
Chairman
Environment, Food & Rural Affairs Select Committee
House of Commons
London
SW1A 0AA

[SENT VIA EMAIL]

5th December 2023

Dear Sir Robert,

FT Article on Thames Water's Finances

My Co-Chief Executives wrote to you on 2nd December (attached for your reference) regarding articles in the FT and The Times on Friday and Saturday commenting on the additional equity funding of £500m contributed by our shareholders earlier this year. Given the importance of the matter, I wanted to write to you myself as well.

The implication of the FT and the Times' reporting is that the £500m referenced in our evidence to your committee was not equity funding. This is incorrect. The precise position is laid out on in our letter of 2nd December. In summary:

- The £500m advanced by the shareholders was received by Thames Water Utilities Holdings, the immediate parent company of Thames Water Utilities (the regulated company), in cash in return for a fresh issue of shares in that company. This is why the £500m advanced by shareholders is properly regarded as equity. The funds were then made over to Thames Water Utilities as a routine payment on account of an inter-company loan between parent and subsidiary.
- The structure of the Thames Water group was set out in the original FT article. The ultimate parent of the group is Kemble Water Holdings. It was to that company that the external shareholders advanced £500m. The essential point is that the shareholders' advance does not increase the debt burden of Thames Water Utilities. It is not guaranteed by Thames Water Utilities and Thames Water Utilities has no obligation in respect of that advance.

Perhaps I can also explain why the accounts of Kemble Water Holdings Limited have received a material uncertainty qualification (as they did in July 2023) but those of Thames Water Utilities Limited that we published this morning have not. The situations of the two companies are different and need to be considered individually, and this has influenced the auditors' judgement regarding material uncertainty. Kemble Water Holdings is subject to that qualification because there are as yet no settled plans to refinance a £190m loan that falls due in April 2024; in contrast, Thames Water Utilities – the

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ringfenced, regulated entity - has liquidity in the form of cash and undrawn facilities sufficient to last at least 12 months.

I hope you will not mind me following up so quickly on the letter sent on Saturday given the necessity of being absolutely clear regarding this issue.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Adrian Montague', with a stylized flourish at the end.

Sir Adrian Montague, CBE