

Thames Water PLC

## Thames Water issues £145m bond through Cayman subsidiary

Issue comes weeks after promise to close utility's Caribbean funding operations

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Thames Water has issued a £145m bond through a Cayman Islands subsidiary just weeks after promising to close its funding operations in the Caribbean tax haven.

The UK's largest water and waste business said it had no choice but to use the [Caymans](#) because it currently has no other legal vehicle to issue the debt, but the move comes as Thames is fending off criticism of its opaque corporate structure and excessive returns for investors.

In addition to announcing plans to shut down the Cayman offshore subsidiary, the company said last month it would not [pay dividends this year](#). There is a highly charged political campaign led by the opposition Labour party pushing for the renationalisation of Britain's privatised water companies.

The Dublin-listed bonds were issued on Tuesday as part of the company's £10bn multicurrency bond facility. They join the £8bn of largely unregistered bonds the company has already issued under the programme.

Company executives insisted the bond can be moved "seamlessly" out of the Cayman entity without consultation with bondholders, underscoring chief executive Steve Robertson's efforts to clean up the legacy of his predecessors.

Still, Martin Blaiklock, an independent infrastructure consultant, questioned why Thames hadn't used banks or financial institutions in the UK for the fundraising.

"I don't understand why the UK's largest water company couldn't raise the money it needed right here," Mr Blaiklock said. "In the light of [regulators'] concerns over their financial transparency, and given they had just pledged to stop using the Caymans, it seems odd to say the least."

Thames said it was committed to getting rid of the Cayman entities as soon as possible. The company has also appointed a new chairman to lead a comprehensive review of its governance structures and has replaced its finance director and 60 per cent of its senior team since Mr Robertson joined as chief executive just over a year ago.

The company said it could only raise the bonds through the Cayman unit because of the rules in place surrounding its so-called "whole business securitisation" structure.

This allows the company to raise more debt against its assets than would conventionally be possible for a water company while retaining an investment-grade rating.

"All the paper work is set up for bonds to be issued through the Cayman programme," said Brandon Rennet, finance director. "If we wanted to issue it through another vehicle, we would need the bondholders permission, which would take time."

Mr Rennet said Thames could have raised the money from the bank through its existing revolving facility without recourse to the Caymans. However, the company wanted to keep that headroom available against the possibility that the funding markets ever shut.

Thames expects it to take roughly six months to close the Cayman facility. That will require the company to trace existing unregistered bondholders and get their approval for the switch to an onshore issuer. Mr Rennet said he expected this would cost the company "single-digit millions" of pounds.

The new Dublin bonds will be both registered and will also contain a clause which allows Thames to automatically to sweep them into any new UK structure without any further consents being required, he said.

While insisting the structure conferred no tax advantage, Thames admitted the Cayman unit had become "toxic". "Even if it's entirely symbolic, there's a point when you have to say it's just time to reverse the noise," Mr Robertson said.

The news comes just days after [the regulator Ofwat](#) took Thames to task for the unreliability of its data. The company was singled out for "serious concerns" over transparency, basic errors such as "missing figures" and the misreporting of "net debt", where it put plus and minus figures the wrong way round.

Thames has become the focus of criticism in an industry that has been accused of pushing up prices for customers and failing to tackle water leaks and pollution targets while paying lucrative returns to shareholders.

The company was fined a record £20.3m in March for dumping 4.2bn litres of raw sewage into the river Thames and its tributary the Thames over three years between 2012 and 2014. This was followed in June by an £8.55m fine for missing its leaks reduction target by 47m litres per day in 2016/17.

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