Thames Water Utilities Limited
Group Interim Report 2025-26

Half year results for the six months to
30 September 2025

3 December 2025

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Thames Water Utilities Limited (TWUL) today announces its results for the six months to 30 September 2025.

Chris Weston, Chief Executive Officer, said:
“The first half of this year has been shaped by good progress across all areas of our operational transformation. We saw a 20% drop in pollutions and leakage performance is holding steady despite the extremely dry summer.

“Financial performance has improved with strong revenue growth, driven by the regulated price rise, good operational expenditure control, resulting in material EBITDA growth.

“We know our infrastructure requires significant investment, and that is why we have launched our Biggest Upgrade in over 150 years to improve our assets and consequently service to our customers and the environment.

“In the first six months of this financial year, we have increased capital investment by 22% to £1.3 billion compared with the same period last year.

“This investment has been funded by higher customer bills, which in turn have led to a rise in customer complaints. In response, we have increased the number of households on our social tariffs to 515,348 and launched a successful pilot that automatically enrols customers in London in financial difficulty for assistance they are entitled to, even if they are unaware of their eligibility.

“This progress has all been achieved as we also manage the recapitalisation of the business. We continue to work closely with stakeholders to secure a market-led solution that we believe is in the best interests of our customers and the environment.

“This in turn will allow the transformation of Thames to continue, a programme that will take at least a decade to complete and will restore the infrastructure and operations of the company.”

Recapitalisation and financial resilience

- Significant progress in underlying performance with revenue, EBITDA and operating cashflow all up compared to last year, but our balance sheet remains weak, hence the focus on recapitalising the business.
- Our creditors have continued to provide liquidity while the process to agree the terms of recapitalisation with government and regulators is ongoing.
- At 30 September 2025, we had drawn £1.43 billion of our £1.5 billion super senior facility, with £872 million on-lent to TWUL.
- On 2 October 2025, London & Valley Water (L&VW), a large consortium of Class A Creditors, announced the submission of its proposal to the Company and Ofwat to deliver

the turnaround, transformation and recapitalisation of Thames Water without recourse to taxpayers.

- Since this submission was made there have been ongoing discussions between the Company, L&VW and Ofwat designed to agree a business plan and capital structure that delivers our required recapitalisation and is supported by a regulatory framework that supports the turnaround of the Company in a way that meets the needs of all our regulators and investors and delivers on our commitments to customers and the environment.
- Longer-term, progress requires regulatory reform. We support the Independent Water Commission's recommendations and continue to work with Defra and our regulators to take this forward.

Key operational highlights

- Significant acceleration in the capital programme in the first half of 2025-26 with £1,260 million of capital invested. Up 22% year-on-year, with investment focused on fixing leaks, pollution and water quality.
- Performance across our six operational priorities:
    - Lost time injuries disappointing in the first two months of the financial year with an improvement since then (HY26: 27; HY25: 20).
    - Compliance Risk Index (CRI), good progress but missed target after a single failure at one of our largest sites (Jan-Sep 25: 3.70; Jan-Sep 24: 1.86). Excluding this, performance would be 1.30.
    - Record first quarter performance for water supply interruptions (HY26: 4 minutes 42 seconds; HY25: 3 minutes 42 seconds), finishing within target despite drought conditions in second quarter leading to twice the usual bursts.
    - Leakage reduction held steady despite the impact of the hottest summer since records began (Three-year rolling average for HY26: 584Ml/d, 13.3% decrease against 2019-20 baseline; HY25: 585 Ml/d, 13.1% decrease against 2019-20 baseline).
    - 20% reduction in pollutions (category 1-3) (Jan-Sep 25: 292; Jan-Sep 24: 364) with 15% more blockages cleared compared to last year and our pipe relining programme ahead of schedule.
    - Complaints increased, driven by the price rise (HY26: 55,158: HY25: 31,600), however water and waste complaints dropped by 11%.
    - At or above sector median performance in 8 of 12 common performance measures and among the top performers in sewer collapses, per capita consumption and leakage in Ofwat's 2024-25 Company Performance Report despite overall 'lagging' rating.
- Rated one out of four stars in the Environment Agency's 2024 Environmental Performance Assessment, predominantly due to our serious pollution performance and recognition that we were unable to deliver all of WINEP7 in AMP7 (Asset Management Period 7).
- 27% of our energy needs were covered by renewable energy that we generated on our sites (HY25: 24.5%).
- Smart meter installation programme more than doubled in size year-on-year (HY26: 129,082; HY25: 60,984)
- The London Tideway Tunnel Network diverted nearly 3 million cubic metres of sewage from spilling into the River Thames between April and September 2025, totalling over 12 million cubic metres since it went into operation.

- £133 million in affordability support provided in the first half of 2025-26 (HY25: £67 million) and becoming the first water company to automatically enrol customers onto social tariffs, taking the total to 515,348 households.
- 66,838 more households signed up to our Priority Services Register, taking the total to 673,589.

Financial performance

- Underlying revenue up 42% to £1.9 billion, primarily driven by the regulatory uplift in water and wastewater tariffs, enabling the investment necessary to improve our asset resilience, environmental performance and customer experience.
- Underlying EBITDA up 69% to £1.2 billion, primarily due to the increase in revenue but also reflecting tight control of operating costs as we execute the transformation of our business and focus on our priorities.
- Reported profit after tax of £328 million compares with a loss after tax of £190 million in the prior period, driven by the increase in underlying EBITDA combined with significantly lower exceptional costs which together more than offset lower finance income, higher interest costs on our debt and fair value losses on financial instruments.
- Capital investment was up 22% at £1.3 billion over the prior period, driven by the planned step up in investment in our AMP8 Programme to deliver on our broad range of compliance obligations, remedying poor asset performance and progressing strategic investments to secure the future supply of water for our region.
- Liquidity[1] reduced by 44% to £0.9 billion at 30 September 2025, primarily driven by capital investment.
- Senior gearing increased to 85.9%2 at 30 September 2025, up 1.5 percentage points since 31 March 2025.
- Statutory net debt has increased by 5% to £17.6 billion as at the end of the period since 31 March 2025.

Key financial metrics

Six months ended	30 September 2025				30 September 2024					
£m	Underlying	Exceptional Items[3]	BTL[4]	Total	Underlying	Exceptional Items[3]	BTL[4]	Total	Total Movement	Total Movement (%)
Revenue	1,880.2	-	71.1	1,951.3	1,326.2	-	66.8	1,393.0	558.3	40%
EBITDA	1,211.5	(57.5)	71.0	1,225.0	715.1	(143.5)	66.5	638.1	586.9	92%
Profit / (loss) after tax	405.4	(148.7)	71.0	327.7	187.3	(426.8)	49.8	(189.7)	517.4	-
Capital investment[5]	1,260.0	-	-	1,260.0	1,033.3	-	-	1,033.3	226.7	22%
Liquidity[1]	861.7	-	-	861.7	1,537.6	-	-	1,537.6	(675.9)	(44%)
Net debt (statutory)	17,626.9	-	-	17,626.9	15,798.1	-	-	15,798.1	1,828.8	12%
Senior gearing[2]	85.9%	-	-	85.9%	84.2%	-	-	84.2%	1.7 ppts	

[1] Liquidity is cash and available undrawn debt facilities. As at 30 September 2025 there were no available undrawn debt facilities. Included in this value is £539 million held in TWSSI which is only available to TWUL subject to creditor consent and therefore this cash is not immediately accessible as at 30 September 2025.
[2] Ratio of covenant senior net debt to Regulatory Capital Value (RCV), adjusted for cash in Thames Water Super Senior Issuer plc (TWSSI) unadjusted covenant senior net debt is 88.3% (2024: 84.2%)
[3] Exceptional items are those charges or credits, and their associated tax effects, that are considered to be outside of the ordinary course of business by the Directors, either by nature or by scale. Exceptional items have been split out from our underlying figures to support users of the financial statements to understand underlying performance of the business and separate this from those items which are outside of the ordinary course of business, thus enhancing the comparability and transparency of the financial statements
[4] Refer to page 35 for information about the Bazalgette Tunnel Limited (BTL) arrangement
[5] Capital expenditure including intangibles and £70 million (2024: £41 million) of assets which have been constructed under self-lay by third parties at nil cost

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Chief Executive Officer's Review

Chris Weston

Since I joined Thames Water nearly two years ago, as well as continuing to provide service as normal, my executive team and I have been focused on the operational and capital performance required to improve our infrastructure, make it more resilient, and to transform the company's performance. The transformation required is significant, and it will take at least a decade to complete. Notwithstanding that, we have made a good start across the business.

When I started in January 2024, we had a negative return on equity and an uninvestible proposition. The company had been destabilised by high turnover in senior management and poorly executed outsourcing which had led to a loss of core capability and technical understanding of our assets and operations. Operational discipline had been lost and there was no effective or robust capital delivery process. Performance had been hampered by repeated cost cutting, and a financially constrained balance sheet, exacerbated by an unforgiving regulatory environment; all of which led to the need for the material turnaround and recapitalisation the company is now going through.

The first half of the 2025-26 financial year has been shaped by the recapitalisation process and our operational transformation, particularly building momentum in our capital programme. The first stage of our recapitalisation journey is now concluded, with all appeals related to our Restructuring Plan (RP1) resolved in our favour. Our focus is now upon securing the necessary equity raise and strengthening our balance sheet to support the transformation of the business.

We have an ambitious and deliverable AMP8 plan that invests over £20 billion by 2030 (compared with £13 billion in AMP7).

Areas prioritised for this investment include:

- public health and safety where we have taken actions to improve drinking water quality, reduce pollutions and remediate high risk trunk mains;
- second, the health of our assets so our complex infrastructure functions as it should and we keep customers in supply and protect the environment;
- third, improving resilience, remediating single points of failure and increasing the long-term security of water supply in London and the South East;
- finally, meaningful steps on the road to full environmental compliance.

To deliver this, we are focusing on operational excellence and have a formal delivery programme of critical and transformational initiatives. This will rebuild the core technical and engineering capability that is critical to the functioning of Thames Water; scale capital investment in AMP8 to twice the level of AMP7; improve our financial controls and integrated planning; improve how we leverage data and technology to make smarter asset and operational decisions; and invest in talent and leadership development.

Externally, the regulatory environment continues to be challenging, and both Ofwat and the Environment Agency's annual performance reports for the 2024-25 period, published in October 2025, reported a rating of 'lagging' and 'one star' respectively. A more rounded analysis of our performance shows that the company is largely performing mid table, with some areas amongst the top ranks of our peers. The ‘one star’ performance rating in the Environmental Performance Assessment is primarily driven by the non-delivery of our WINEP7 programme in AMP7, and the number of serious pollution incidents. Whilst serious pollutions performance needs to improve, once normalised against the size of water company, our total pollution performance per 10,000km of sewer network puts us 4th, out of 12.

We are looking forward to the government’s response to the Independent Water Commission’s (IWC) report later this year. We support the IWC’s recommendations which have the potential to improve the resilience of the sector’s infrastructure, to improve operational performance, and to attract the necessary and material investment that is needed.

Making progress on our six key operational priorities

Our performance is monitored and measured by several performance commitments and outcome delivery incentives, and I have continued to focus the business on the six operational measures which I believe are the most important measures of our progress and of meeting the needs of our customers, colleagues and the environment.

The transformation plan, stable leadership and greater accountability through our new operating model are improving our financial and operational discipline, enabling us in time to deliver tangible performance improvements, and to do so within the allowances our regulator determines.

In April 2024 I appointed a Chief Operating Officer and established the Asset Operation and Capital Delivery function (AO&CD), creating a single team with end-to-end ownership of the asset life cycle. This has been a fundamental shift in the operation of the business, and work is now almost complete to fully embed this model, including our recent focus on reestablishing and rebuilding our in-house engineering, design and asset management capability, areas where we had previously outsourced unsuccessfully. We have also successfully implemented an internal executive sponsor model, bringing direct individual accountability for delivery of our water and waste capital programmes, improving performance in delivery of capital spend, as well as a better understanding of our performance in these areas.

We have already made significant progress in addressing many of the underlying causes of our poor performance, including increasing investment in key activities like clearing blockages, relining sewer networks, leakage repairs, and the installation of acoustic sensors. We are starting to see the benefits of this work, but it will take time due to the scale of our network.

Bill increases have been significant this year, and I recognise the difficulties this creates for many of our customers. In response, we have significantly scaled up support for our customers, providing £133 million in support in the first half of the financial year helping 547,666 households, up 45%. We’ve also added 66,838 more households to our Priority Services Register, taking the total to 673,589.

Health and Safety - Lost Time Injuries (LTI)

There were 27 lost time injuries in the first half of 2025-26 (HY25: 20), the majority being in the first two months of the financial year. While this is disappointing, this is set against an increase of 1.8 million extra hours worked across the business. Total injuries, which includes those that didn’t result in lost time, dropped by 12% to 92 in the first half of 2025-26 compared to the same period last year.

To strengthen our capabilities in this important area a Director of Health, Safety and Wellbeing (HSW) was appointed in March 2025. This position reports directly to me and will lead the implementation of our three-year strategy. The strategy covers behavioural change; reviews our most critical risks; simplifies our safety management system and processes; and eases the burden on local site teams.

Water Quality – Compliance Risk Index (CRI)

Water quality is of the highest importance, and although good progress has been made by the team, performance in the nine months to September 2025 (this is a calendar year measure) fell short of our own target of 1.65, with CRI at 3.70. This was due to a single microbiological sample failure at one of our large treatment works which has a disproportionate effect. Excluding this, performance would have been 1.30, within our target. We're disappointed to not be achieving our CRI target to date but are confident we have the right actions in place within our Public Health Transformation Plan and investment plans for this AMP to make strong progress. Among the range of measures we report to the Drinking Water Inspectorate, our service reservoir performance is strong this year after considerable focus on reducing risk, with a compliance of 99.24% (three failures in the first half of 2025-26 compared to four in the same period last year).

We continue to deliver schemes to reduce failures, with a strong focus on bacteriological removal. Our enhanced hazard reviews continue to analyse and deliver risk solutions at our water treatment works and our tank inspection programme has helped identify and repair ingress points at civil structures reducing the likelihood of failures. New additions to the programme, such as air valves and the condition of our sampling facilities, will help further reduce contamination and ingress risks which will have a positive impact on CRI.

Water quality is an important area of focus in AMP8 with £0.7 billion committed to key projects such as lead pipe replacement, reservoir condition assessments and water treatment works refurbishment, and enhancing the existing processes with extra treatment.

Supply Interruptions

We have been continually improving our supply interruptions (SI) performance, with April 2025 being our lowest month on record, and the first quarter of the financial year 2025-26 being a further record period. However, performance in the second quarter was more challenging with drought conditions caused by the abnormally dry spring and summer. This took our half year position to 4 minutes and 42 seconds of supply interruptions compared with 3 minutes 42 seconds in the same period last year.

However, in the first half of 2025-26, we had significantly more burst water mains than in the same period last year, although SI performance this year has not shown the same level of deterioration, evidencing the impact of the improvements we have made to our response to this type of incident. Trunk main bursts have the potential to impact more customers, and in the first half there was a 177% increase in these, with 61 trunk main bursts, compared to 22 in the same period last year.

Other burst water mains have also increased year on year, in the first half of 2025-26 there were 224 burst water mains that caused an immediate interruption to supply, compared to 156 in the same period last year, an increase of 44%.

Although we do not expect to meet our year-end regulatory supply interruptions target of five minutes, we are still on track to achieve our challenging internal business plan year-end target of 10 minutes and 18 seconds. As part of our transformation, which will see us invest £2.8 billion in AMP8 we are focused on infrastructure health through enhanced maintenance, increasing the speed and effectiveness of our response to incidents, developing isolation-free repair methods, and investing in innovative solutions to enable remote control over an increasing proportion of our trunk mains.

Leakage

We continue to reduce leakage, but the start of 2025-26 has been challenging. A very cold, wet winter in 2024 followed by the warmest, driest summer on record in 2025 led to near-maximum soil moisture deficit, where the ground is extremely dry which drives contraction of the soil, causing our pipes to break more frequently. This is especially prevalent in areas where we have old metallic pipework and brittle plastic in clay soils. The record temperatures over a prolonged period also led to higher-than-average demand for water.

At the end of the first half of 2025-26, our three-year rolling average leakage performance was 584 Ml/d, compared with 585 Ml/d at the end of the first half of the previous year. This maintains performance as compared to the end of the 2024-25 financial year; a 13.3% reduction against the 2019-20 baseline.

Over the course of AMP8 we will be investing £1 billion to reduce annual average leakage by 91.9 Ml/d over the period. Alongside this, we are committing a further £1 billion to mains replacement and trunk mains improvements, which will further support leakage reduction and help minimise supply interruptions, strengthening overall network resilience. The increased investment will improve our infrastructure and substantially increase the number of colleagues deployed to maintain and improve district meter area discipline and to repair leaks.

In the Thames Valley region, in the first half of 2025-26 we materially increased the number of people finding leaks, with dedicated FTE numbers up by 45% compared with the same period last year.

To support the detection activity, we are improving our technology, deploying an additional 25,000 acoustic sensors across our region in the first half of 2025-26, taking the total to over 50,000. In the Thames Valley, we have also ramped up our deployment of smart meters this year doubling installations year-on-year from 60,984 in the first half of last year compared with 129,082 this year.

Pollutions

Any pollution of the environment must be avoided and we're working hard to stop them occurring. Despite the first half of 2025-26 being preceded by the wettest 18 months on record, our continued progress in delivering improvements, combined with the subsequent drier months, contributed to a 20% decrease in total pollutions (category 1-3) to 292 for the January to September 2025 period, compared with 364 in the same period last year. Over the same period, serious pollutions were down 33%

We have increased the number of blockages cleared by 15% compared with the same period last year and will be increasing activity in this area to clean an additional 1,000km each year. We also relined 6.4km of pipes across 222 locations in the first half of the year, 28% above our target of 5 km.

Across our region, there were 6,247 spills between January and September 2025 compared with 7,564 in the same period the previous year. The Tideway Tunnel has significantly reduced spills for our sites that, in the past, were tidally impacted and the tunnel is now being tested ahead of its handover to Thames Water. Altogether, the London Tideway Tunnel network has diverted a total of 12,411,109 cubic meters of sewage from spilling into the River Thames since it went into operation in August 2024. The tunnel will be critical not just to improving our network's resilience to rainfall but improving the health of the River Thames throughout the next century. The Thames Tideway Tunnel, in combination with the Thames Water Lee Tunnel and previous upgrades to sewage treatment works, will capture 95% of the volume of untreated sewage that was previously entering the tidal Thames in a typical year.

We are continuing to make progress in our pollutions turnaround initiatives which will, in turn, support improved performance. During AMP8 we are committing £8.6 billion of investment to our wastewater assets to increase resilience to climate change and our extreme associated extreme weather.

Complaints

In the first half of 2025-26, we received 55,158 complaints, compared to 31,600 for the same period last year. Of these, 86% concern billing and the majority were driven by the increase in bills required to support the material increase in investment in our infrastructure. For those customers who struggle to pay their bills, we provided £133 million in affordability support in the first half of 2025-26, double that of the same period last year (HY25: £67 million). We also became the first water company to automatically enrol customers onto social tariffs, helping us to reach an additional 106,678 households in the first half of the financial year, taking the total to 515,348 households.

Beyond this, our focus has been in improving the speed of resolution of customer's queries and work undertaken this summer resulted in a 17 percentage point improvement in resolution rates where we were addressing complex customer email cases. Along with more automated billing transactions, this will make it easier for customers to interact with us and to resolve any issues more easily.

The service provided by our waste and water operational teams, dealing primarily with leaks and pollutions improved and as a result we saw complaints reduce, some 11% lower than the same period last year. We continue to focus on improving our response to incidents and how we communicate with customers when they happen. I am confident that the action we are taking will continue to improve customer satisfaction with the service we provide when we are called upon.

Foundations for the future

Behind the media headlines we're making good progress, and despite some of the numbers our underlying performance is improving.

Significant focus has been on scaling up our capital investment programme. In the first six months of the 2025-26 financial year, our capital investment was 22% higher than the equivalent period last year, and 153% higher than in the first six months of AMP7. Over the course of AMP8, we plan to double the amount of capital invested, compared with £7 billion in AMP7.

We are undertaking the biggest upgrade to our infrastructure in 150 years, building resilience to more extreme weather, reduce our impact on rivers and support economic growth in the UK. As part of our ambitious plans for the next five years, we'll replace hundreds of kilometres of water pipes, enough to stretch from London to Edinburgh, to help us achieve nearly 2.5 times the leakage reduction achieved in AMP7 and reduce supply interruptions by 35%. And we'll be investing record amounts in our sewage treatment works and to reline sewers, as we drive down the amount of sewage polluting rivers and play our part in cleaning up our precious waterways.

As the UK population grows and more extreme weather affects rivers and our reservoirs, there's a real risk we won't have enough water in the future for all our needs. Without action, it's predicted there will be a shortfall of one billion litres of water a day by 2050. We are taking action now to avoid this and to secure water supplies for the future so there's enough water for our growing population, even as climate change exacerbates demand. As well as tackling leakage, we're working with our customers to reduce their consumption through our major rollout of smart meters and water efficiency initiatives. This will help solve 80% of the shortfall, with the remaining 20% coming from new sources of water, including our proposed new reservoir near Abingdon in Oxfordshire.

The path ahead

We are making progress with my two overriding objectives: the transformation of the business and the associated recapitalisation. A market-led solution clearly remains the best option for our customers, the environment, taxpayers and the economy, and discussions are ongoing between our creditors, out regulators and the company. Discussions are taking longer than expected but this is a complex situation and the current phase of the restructuring plan will likely take a number of months to conclude. This phase will be followed by a restructuring process overseen by the Courts following which, if this process is successful, company's balance sheet can be recapitalised. While negotiations are ongoing, we have agreed with Ofwat to further defer our request for a redetermination by the Competition and Markets Authority (CMA), although we retain this as an option in case our creditors are unable to reach agreement with government and regulators on an investible and financeable business plan.

While this process continues the business remains focussed on providing a service to our 16 million customers, providing 2.7 billion litres of water every day and dealing with 5 billion litres of waste, every day. As we do this we are making good progress with transforming Thames, a process that will take at least a decade.

Chief Financial Officer's Review

Steve Buck

Since I joined the company in April, my focus has been on financial control, performance management and supporting the recapitalisation through a market-led solution, which will enable us to continue making essential investment in our infrastructure and operational improvements in the services we deliver to customers. Earlier in the year, we had considerable interest from prospective equity investors. Our preferred bidder completed the diligence stage of the process and worked alongside our management team to produce an in-depth operational turnaround plan. Although our preferred bidder ultimately elected not to pursue an investment for reasons unconnected to their diligence exercise, a large consortium of our Class A creditors, who had been performing diligence in parallel, submitted its proposal to Ofwat to deliver the turnaround, transformation and recapitalisation of Thames Water without recourse to taxpayers.

Since the proposal was made, positive discussions are ongoing between the consortium, the regulators and government, albeit there remain a number of items to be negotiated and agreed before a recapitalisation can proceed. Given the material uncertainty that therefore exists I would draw your attention to the basis of preparation disclosure in the financial statements.

This financial year is the first of AMP8 and, as such, it includes customer bill rises in line with the allowances in Ofwat's Final Determination. The allowances represent a significant increase over AMP7, albeit less than we believe is required to achieve all the necessary outcomes to deliver for our customers and the environment and achieve full compliance. This additional revenue will however enable us to deliver most of our capital investment programme so we can replace our ageing infrastructure, better protect the environment and deliver higher quality water and waste services to our ever-expanding population of customers.

The higher revenue, allied to tight control of costs led to underlying operating profit growth of £481 million (146%) to £810 million in the six months ended 30 September 2025 (HY25: £329 million). We will continue to efficiently manage our operational expenditure to deliver for customers.

Overall, our underlying profit after tax more than doubled to £405 million in HY26 with the higher operating profit more than offsetting the higher finance expenses and fair value losses on financial instruments. Total profit after tax was £328 million for the six months ended 30 September 2025 compared to a loss of £190 million in the prior period due to the underlying profit growth as well as lower exceptional items.

Income statement

Six months ended	30 September 2025				30 September 2024			
£m	Underlying	Exceptional items[1]	BTL[2]	Total	Underlying	Exceptional items[1]	BTL[2]	Total
Revenue	1,880.2	-	71.1	1,951.3	1,326.2	-	66.8	1,393.0
EBITDA	1,211.5	(57.5)	71.0	1,225.0	715.1	(143.5)	66.5	638.1
Operating profit/(loss)	810.4	(57.5)	71.0	823.9	329.1	(143.5)	66.5	252.1
Net finance expense	(296.5)	(41.9)	-	(338.4)	(194.8)	(11.1)	-	(205.9)
Net (losses)/gains on financial instruments	(22.3)	(18.8)	-	(41.1)	115.3	-	-	115.3
Expected credit losses on intercompany loan	-	(30.5)	-	(30.5)	-	(310.9)	-	(310.9)
Profit/(loss) before tax	491.6	(148.7)	71.0	413.9	249.6	(465.6)	66.5	(149.4)
Tax	(86.2)	-	-	(86.2)	(62.3)	38.7	(16.7)	(40.3)
Profit/(loss) after tax	405.4	(148.7)	71.0	327.7	187.3	(426.8)	49.8	(189.7)

[1] Exceptional items are those charges or credits, and their associated tax effects, that are considered to be outside of the ordinary course of business by the Directors, either by nature or by scale. Exceptional items have been split out from our underlying figures to support users of the financial statements to understand underlying performance of the business and separate this from those items which are outside of the ordinary course of business, thus enhancing the comparability and transparency of the financial statements

[2] Refer to page 35 for information about the Bazalgette Tunnel Limited (BTL) arrangement

Revenue

Underlying revenue of £1,880 million represents an increase of £554 million (42%) compared to the six months ended 30 September 2024. This increase was driven primarily by rises in our charges for water and wastewater services per our allowed regulated revenue (according to the Final Determination awarded by Ofwat).

The allowed revenue reflects a CPIH inflation rate of 3.5%, regulator-approved "K" factors of +24.6% for water and +31.8% for wastewater, and other adjustments. It also includes reductions for historic wholesale and retail Outcome Delivery Incentive (ODI) penalties which have a 2-year lag flowing through into revenue.

EBITDA

Underlying EBITDA of £1,212 million represents an increase of £496 million (69%) compared to the six months ended 30 September 2024. This increase was driven primarily due to the increase in revenue but also reflecting tight control of operating costs.

Net operating expenses increased by £51 million (8%) and is due to inflation and higher volume of water and wastewater activity. The key increases include higher employment costs (£27 million), third party supplier costs (£18 million), research and development costs (£6 million) and raw material costs (£4 million). This was partially offset by a reduction in power costs (£4 million), resulting from lower consumption and favourable power prices in the first six months of the year.

Bad debt remains a key focus for management, with charges increasing by £21 million to £65 million primarily as a result of increased revenues, equivalent to 4.0% of total household appointed revenue (HY25: 3.9%). Of this, £32 million related to current year bills, which is accounted for as a deduction to revenue.

We continue to support our financially vulnerable customers who cannot afford to pay their bills in full through the use of social tariffs and other proactive support, with £133 million of customer assistance provided in this six-month period.

Other operating income of £79 million increased by £1 million compared to the six months ended 30 September 2024. Income within the period included £16 million that was associated with the relocation and construction of a new Sewage Treatment Works in Guildford.

Total EBITDA of £1,225 million increased by £587 million (92%) compared to the six months ended 30 September 2024. The increase was due to underlying EBITDA rising by £496 million, exceptional costs reducing by £86 million and Bazalgette Tunnel Limited (BTL) revenue increasing by £5 million.

Exceptional operating costs of £57 million in the six months ended 30 September 2025 relate to advisors assisting in the equity raise and balance sheet restructuring process. In the prior period a £104 million provision was recognised related to Ofwat's investigation into non-compliance at sewage treatment works. This fine has now been imposed at this value, and 20% of the balance was paid in September 2025.

Operating Profit

Underlying operating profit of £810 million, increased by £481 million (68%) compared to the six months ended 30 September 2024. Growth in underlying EBITDA and reductions in asset impairment were partially offset by a £15 million increase in depreciation and amortisation due to commissioned capital projects since the prior period.

Total operating profit of £824 million increased by £572 million (44%), reflecting the impact of exceptional costs and BTL in the period, as discussed in the previous section.

Profit before tax

Underlying profit before tax of £492 million increased by £242 million (97%) year-on-year, reflecting the increased operating profit, offset by fair value losses on financial instruments in the period, and an increase in net finance expense recognised.

Underlying net finance expense increased by £102 million largely reflecting higher interest on borrowings and accretion due to movement in RPI, and lower interest income earned on swaps.

Total profit before tax was £414 million, an improvement of £563 million over a loss before tax of £149 million in the prior period. This movement includes the impact of a decrease in exceptional items in the period with the prior period recognising a higher expected credit loss on the intercompany loan receivable from Thames Water Utilities Holdings Limited of £311 million, compared to the current period recognising £31 million.

Taxation

The Group recognised an underlying tax charge of £86 million in the period, comprising a current tax charge of £nil million and a deferred tax charge of £86 million. The current year tax charge reflected disallowable costs net of non-taxable income and that no payment will be made for the group relief claims. The deferred tax charge is largely related to timing differences on derivatives.

Profit/loss after tax

Underlying profit after tax was £405 million, an increase of £218 million compared to the six months ended 30 September 2024.

Total profit after tax was £328 million, an improvement of £517 million over a loss after tax of £190 million in the prior period.

Exceptional items

In aggregate, the Group recognised pre-tax exceptional items of £149 million in the six months ended 30 September 2025, comprising:

- £57 million of fees for advisors supporting the equity raise process, CMA appeal and balance sheet restructuring process
- £31 million of expected credit losses provision recognised against the intercompany interest receivable from TWUL's immediate parent company Thames Water Utilities Holdings Limited
- £17 million loss on RPI to floating rate debt modification
- £42 million of exceptional financing costs, including amortisation of consent fees
- £2 million of exceptional items relating to the fair value movement on consent fee derivatives

Capital investment

Capital investment for the first half of the year is £1,260 million, an increase of £227 million (22%) compared with the same period in the prior year. This increased level of investment in infrastructure assets is driven by the ongoing commitment to enhance the resilience of our network and mitigate climate change and address population growth in line with capital programme plans in AMP8.

The key projects and programmes delivered for the first half of the year include but are not limited to the following:

- £421 million invested in improving river quality and reducing pollution, the largest schemes of which are:
    - £137 million invested over 97 projects towards completing Water Industry National Environment Programme 7 (WINEP7) compliance schemes from AMP7 to improve the quality of water discharged to rivers:
    - £41 million allocated over the essential core planned and reactive maintenance of effluent mains
    - £38 million allocated over 57 projects for the Wastewater Asset Assurance Programme (WAAP) compliance schemes aimed in reducing frequency of sewage spills
    - £35 million allocated to the compliance and growth of sewage treatment works projects focused on providing capacity for future development
    - £12 million invested in rising mains which is equivalent to 8.7 km being commissioned
    - £8 million invested in storm overflow, a programme aimed to reduce spills at 107 high priority combined sewer overflows (CSOs)
- £201 million invested in fixing leaks and ensuring enough water supply in the future, which includes investments in calm systems and metering which have driven incremental reductions in leakage and consumption; and overall spend of £51 million on metering programme which equates to over 129,000 smart meters installed
- £191 million invested in ensuring reliable supply with minimal disruption, with more 70 km of mains replacement in contract and on track for year's target of 83 km
- £114 million invested in prevention of sewer flooding and safe removal of waste which includes sewer rehabilitation works and waste network upgrades

- £91 million invested to make progress on our Strategic Resourcing Options with Abingdon Reservoir and Effluent Reuse in London to secure a stable and safe supply of water for generations to come
- £24 million invested in ensuring safe, high quality drinking water, including replacing lead pipes

Pensions

As at 30 September 2025, the total net IAS19 accounting pension deficit for the Group's defined benefit schemes was £47 million.

The Group's two independently administered defined benefit schemes, the Thames Water Pension Scheme (TWPS) and the Thames Water Mirror Image Pension Scheme (TWMIPS), saw a combined deficit reduction of £39 million. This improvement was driven by £71 million of Company contributions, offset by actuarial losses in the period. The Group continues to make actuarially agreed, regular contributions for active employees and deficit repair contributions, as agreed as part of the 2022 triennial valuation recovery plan.

Both schemes will be revalued as at 31 March 2025, as part of the triennial valuation that is currently underway.

Cash flow statement

Six months ended	30 September 2025			Restated[1] 30 September 2024		
£m	Underlying	BTL[2]	Total	Underlying	BTL	Total
Operating cash flow	857.6	(0.7)	856.9	563.8	5.4	569.2
Cash capex	(1,186.2)	-	(1,186.2)	(1,000.7)	-	(1,000.7)
Free cash flow	(328.6)	(0.7)	(329.3)	(436.9)	5.4	(431.5)
Net interest paid	(285.0)	-	(285.0)	(122.6)	-	(122.6)
Cash inflow from financing activities excluding interest paid	1,242.6	-	1,242.6	518.1	-	518.1
Net cash inflow/(outflow)	629.0	(0.7)	628.3	(41.4)	5.4	(36.0)
Gross debt			(18,496.1)			(16,916.6)
Cash and cash equivalents[3]			869.2			1,118.5
Closing net debt (statutory)			(17,626.9)			(15,798.1)

[1] The prior year cash flow statement has been restated, due to the presentation of the adoption of nil cost assets. Please refer to page 40 for further information
[2] Refer to page 35 for information about the Bazalgette Tunnel Limited (BTL) arrangement
[3] Gross cash and cash equivalents excluding bank overdraft. Included in this value is £539 million held in TWSSI which is only available to TWUL subject to creditor consent and therefore this cash is not immediately accessible as at 30 September 2025.

Underlying operating cash flow increased by £294 million (52%) to £858 million, driven by an increase in operating profit, offset by a decrease in cash flows driven by movements in working capital.

Net interest paid of £285 million in the first six months of the year represents a £162 million year-on-year increase. This is mainly due to the higher interest paid on borrowings of £118 million because of increased debt drawn downs at higher interest rates and lower interest received on swaps of £44 million.

There was an underlying net cash inflow in the period of £629 million (six months ended 30 September 2024: £41 million outflow) and a total cash inflow of £628 million (six months ended 30 September 2024: £36 million outflow), the main driver of the movement in the six month period was a result of additional loan drawdowns to fund capital expenditure, with no repayment of borrowings. Total gross cash and cash equivalents as at 30 September 2025 comprised £869 million.

Gearing and interest cover

The net cash inflow for the first half, together with non-cash changes to the carrying value of borrowings and leases (primarily consisting of accrued interest and debt accretion) increased statutory net debt to £17,627 million, representing an increase of £833 million since 31 March 2025 and a £1,829 million increase since the comparative period ended 30 September 2024. Net debt on a covenant basis was £19,337 million at 30 September 2025, and if cash held within Thames Water Super Senior Issuer plc (TWSSI) was taken into account, the adjusted covenant net debt was £18,798 million. This compares to net debt on a covenant basis as at 31 March 2025 of £17,725 million, when nil cash was held within TWSSI.

The six months increase in net debt of £833 million was accompanied by a £884 million increase in Regulatory Capital Value to £21,893 million as at 30 September 2025. This resulted in senior gearing (covenant basis) net of TWSSI cash holdings increasing to 85.9% (88.3% excluding TWSSI cash holdings). Testing of the gearing covenant is currently suspended while we progress our equity raise process and a holistic recapitalisation to improve financial resilience.

Credit ratings

Long term rating	Corporate Family	Super Senior	Class A	Class B
Moody’s	Caa3 (stable)	B2 (stable)	Caa3 (stable)	C (stable)
S&P	-	-	CCC (negative)	CC (negative)

Our ratings are unchanged since 31 March 2025, except that our Super Senior debt has been newly rated by Moody’s in September 2025 at B2.

Financing investment

We finance investment in our water, wastewater and digital infrastructure through a combination of operating cash flows, and external financing. We have drawn down £1,427 million of super senior funding since 31 March 2025 with the net proceeds of £794 million advanced by TWSSI to TWUL and £538 million of net proceeds remaining within TWSSI as at 30 September 2025.

After the period end, creditor consent was sought for an internal drawdown of £321 million principal from TWSSI to TWUL. Following confirmation of creditor consent, net proceeds of £311 million were received by TWUL on 25 November 2025.

Cost of interest

Overall, the Group's effective cost of interest[1] including accretion on index-linked debt was 6.8%; the effective cash cost of interest[2] was 4.5%.

Liquidity

As at 30 September 2025, the Group had total liquidity of £862 million comprising available cash in TWUL of £321 million, TWSSI of £539 million and TWUF of £2 million. The cash held in TWSSI can only be on-lent to TWUL with creditor consent. As part of the court sanctioned restructuring TWSSI is permitted to raise a further £1,500 million of funding through two £750 million accordion facilities, and £73 million of the initial £1,500 million facility has not yet been drawn and is only available for drawing once the further £1,500 million of funding has been drawn. Liquidity as at 30 November 2025 was £787 million comprising available cash in TWUL of £555 million, TWSSI of £230 million and TWUF of £2 million.

Dividends

During the six months ended 30 September 2025 (six months ended 30 September 2024: £nil), no dividends were paid to Thames Water Utilities Holdings Limited, our immediate parent company. No distributions were made to external shareholders of the group, who own shares in our ultimate parent company, Kemble Water Holdings Limited.

[1] Effective cost of interest is external net finance costs adjusted to exclude non-debt items, amortisations and to include swap accretion divided by average gross external debt on a post swap basis

[2] Effective cash cost of interest is interest costs on external debt and swaps divided by average gross debt on a post swap basis

Statement of Directors’ responsibilities in respect of the interim results for the six months ended 30 September 2025

The Directors confirm that the interim results for the six months ended 30 September 2025 have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom’s Financial Conduct Authority and that the Director’s report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

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

The above Statement of Directors’ Responsibilities was approved by the Board of Directors on 2 December 2025 and signed on its behalf by:

Steve Buck
Chief Financial Officer

Clearwater Court
Vastern Road
Reading
Berkshire
RG1 8DB

Independent review report to Thames Water Utilities Limited Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Thames Water Utilities Limited's condensed consolidated interim financial statements (the "interim financial statements") in the Group Interim Report 2025-26 of Thames Water Utilities Limited for the 6 month period ended 30 September 2025 (the "period").

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

The interim financial statements comprise:

- the Condensed consolidated statement of financial position as at 30 September 2025;
- the Condensed consolidated income statement and Condensed consolidated statement of other comprehensive income for the period then ended;
- the Condensed consolidated statement of cash flows for the period then ended;
- the Condensed consolidated statement of changes in equity for the period then ended;
- the Material accounting policy information; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Group Interim Report 2025-26 of Thames Water Utilities Limited have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

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

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

We have read the other information contained in the Group Interim Report 2025-26 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Material uncertainty related to going concern

In forming our conclusion on the interim financial statements, which is not modified, we have considered the adequacy of the disclosure made in the Material accounting policy information within the interim financial statements concerning the Group's ability to continue as a going concern. The principal matter giving rise to the material uncertainty is whether the Group and the Company will be able to deliver a recapitalisation transaction by way of a restructuring plan ("RP2") successfully, either within 12 months from the date of approval of the financial statements or at all. If a recapitalisation transaction by way of RP2 is not delivered, the Company would need to consider all options available to it at the time, but a possible consequence would be a special administration of the Company under the Water Industry Act 1991. The success of a recapitalisation transaction pursuant to RP2 is subject to uncertainties which are outside of the Group and Company's control and which could occur in the very near term. These conditions, along with the other matters explained in the Material accounting policy information within the interim financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The interim financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately applied the going concern basis of accounting in the preparation of the interim financial statements.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Group Interim Report 2025-26, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Group Interim Report 2025-26 in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Group Interim Report 2025-26, including the interim financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Group Interim Report 2025-26 based on our review. Our conclusion is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
Reading
2 December 2025

Condensed consolidated income statement

For the six months ended 30 September 2025

		2025				2024			
		Underlying	Exceptional items	BTL	Total	Underlying	Exceptional items	BTL	Total
	Note	£m	£m	£m	£m	£m	£m	£m	£m
Revenue	2	1,880.2	-	71.1	1,951.3	1,326.2	-	66.8	1,393.0
Net operating expenses	3	(1,116.3)	(57.5)	-	(1,173.8)	(1,050.2)	(143.5)	-	(1,193.7)
Expected credit losses on trade receivables and contract assets	3	(32.2)	-	(0.1)	(32.3)	(24.6)	-	(0.3)	(24.9)
Total operating expenses		**(1,148.5)**	**(57.5)**	**(0.1)**	**(1,206.1)**	**(1,074.8)**	**(143.5)**	**(0.3)**	**(1,218.6)**
Other operating income		78.7	-	-	78.7	77.7	-	-	77.7
Operating profit/(loss)		**810.4**	**(57.5)**	**71.0**	**823.9**	**329.1**	**(143.5)**	**66.5**	**252.1**
Finance income	4	90.7	-	-	90.7	142.7	-	-	142.7
Finance expense	4	(387.2)	(41.9)	-	(429.1)	(337.5)	(11.1)	-	(348.6)
Net (losses)/gains on financial instruments	4	(22.3)	(18.8)	-	(41.1)	115.3	-	-	115.3
Expected credit losses on intercompany loan	5	-	(30.5)	-	(30.5)	-	(310.9)	-	(310.9)
Profit/(loss) on ordinary activities before taxation		**491.6**	**(148.7)**	**71.0**	**413.9**	**249.6**	**(465.5)**	**66.5**	**(149.4)**
Tax (charge)/credit on profit/(loss) on ordinary activities	6	(86.2)	-	-	(86.2)	(62.3)	38.7	(16.7)	(40.3)
Profit/(loss) for the period		**405.4**	**(148.7)**	**71.0**	**327.7**	**187.3**	**(426.8)**	**49.8**	**(189.7)**

The Group activities above are derived from continuing activities.

The material accounting policy information included within this interim report and condensed consolidated financial statements are an integral part of these condensed financial statements and should be read in conjunction with the material accounting policy information included in the Thames Water Annual Report 2024/25.

Bazalgette Tunnel Limited (BTL) is an independent company, appointed in 2015 to construct the Thames Tideway Tunnel. We have recognised revenue, cost and profit on the arrangement with BTL and have disclosed our underlying performance separately as required for reporting of some of our financial covenant ratios. Information on how the Company accounts for this arrangement is detailed in the material accounting policy information section.

Exceptional items are those charges or credits, and their associated tax effects, that are considered to be outside of the ordinary course of business by the Directors, either by nature or by scale. Further detail can be seen in the material accounting policy information section. Exceptional items have been split out from our underlying figures to support users of the financial statements to better understand the underlying performance of the business and to separate this from those items which are outside of the ordinary course of business, thus enhancing the comparability and transparency of the financial statements.

Condensed consolidated statement of other comprehensive income

For the six months ended 30 September 2025

		2025				2024			
		Underlying	Exceptional items	BTL	Total	Underlying	Exceptional items	BTL	Total
	Note	£m	£m	£m	£m	£m	£m	£m	£m
Profit/(loss) for the period		405.4	(148.7)	71.0	327.7	187.3	(426.8)	49.8	(189.7)
Other comprehensive income									
Will not be reclassified to the income statement:									
Net actuarial (loss)/gain on pension schemes	14	(28.0)	-	-	(28.0)	16.8	-	-	16.8
Deferred tax charge on net actuarial loss/(gain)		7.0	-	-	7.0	(4.2)	-	-	(4.2)
May be reclassified to the income statement:									
Cash flow hedges transferred to income statement	13	-	-	-	-	2.8	-	-	2.8
Deferred tax charge on cash flow hedge transfer		-	-	-	-	(0.7)	-	-	(0.7)
Other comprehensive (expense)/income for the period		(21.0)	-	-	(21.0)	14.7	-	-	14.7
Total comprehensive income/(expense) for the period		384.4	(148.7)	71.0	306.7	202.0	(426.8)	49.8	(175.0)

The material accounting policy information included within this interim report and condensed consolidated financial statements are an integral part of these condensed financial statements and should be read in conjunction with the material accounting policy information included in the Thames Water Annual Report 2024/25.

Bazalgette Tunnel Limited (BTL) is an independent company, appointed in 2015 to construct the Thames Tideway Tunnel. We have recognised revenue, cost and profit on the arrangement with BTL and have disclosed our underlying performance separately as required for reporting of some of our financial covenant ratios. Information on how the Company accounts for this arrangement is detailed in the material accounting policy information section.

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Condensed consolidated statement of financial position

As at

		30 September 2025			31 March 2025		
		Underlying	BTL	Total	Underlying	BTL	Total
	Note	£m	£m	£m	£m	£m	£m
Non-current assets							
Intangible assets		199.0	-	199.0	207.5	-	207.5
Property, plant and equipment	8	21,706.2	-	21,706.2	20,836.2	-	20,836.2
Investment property		2.0	-	2.0	2.0	-	2.0
Right-of-use assets		34.6	-	34.6	37.4	-	37.4
Intercompany loans receivable	9	-	-	-	-	-	-
Derivative financial assets	13	316.4	-	316.4	300.1	-	300.1
Prepayments	10	-	685.8	685.8	-	623.9	623.9
Insurance and other receivables	10	49.1	-	49.1	45.1	-	45.1
Pension asset	14	28.4	-	28.4	25.9	-	25.9
		22,335.7	**685.8**	**23,021.5**	**21,454.2**	**623.9**	**22,078.1**
Current assets							
Inventories		33.3	-	33.3	22.5	-	22.5
Trade Receivables	10	917.7	45.2	962.9	379.1	24.0	403.1
Contract assets	10	453.8	10.2	464.0	337.9	6.3	344.2
Prepayments	10	81.6	-	81.6	58.0	-	58.0
Insurance, other receivables and amounts owed by group undertakings	10	71.4	-	71.4	54.9	-	54.9
Cash and cash equivalents		844.1	25.1	869.2	280.6	25.8	306.4
		2,401.9	**80.5**	**2,482.4**	**1,133.0**	**56.1**	**1,189.1**
Current liabilities							
Contract liabilities	11	(661.9)	(17.8)	(679.7)	(169.3)	(0.5)	(169.8)
Trade and other payables		(955.4)	(35.5)	(990.9)	(978.8)	(37.4)	(1,016.2)
Bank overdraft[1]		(5.7)	-	(5.7)	(71.2)	-	(71.2)
Borrowings	12	(257.8)	-	(257.8)	(324.1)	-	(324.1)
Lease liabilities		(7.1)	-	(7.1)	(6.5)	-	(6.5)
Derivative financial liabilities	13	(76.7)	-	(76.7)	(66.2)	-	(66.2)
Provisions for liabilities and charges	16	(174.2)	-	(174.2)	(231.7)	-	(231.7)
		(2,138.8)	**(53.3)**	**(2,192.1)**	**(1,847.8)**	**(37.9)**	**(1,885.7)**
Net current asset/(liabilities)		**263.1**	**27.2**	**290.3**	**(714.8)**	**18.2**	**(696.6)**
Non-current liabilities							
Contract liabilities	11	(1,250.5)	-	(1,250.5)	(1,159.4)	-	(1,159.4)
Borrowings	12	(18,182.1)	-	(18,182.1)	(16,651.9)	-	(16,651.9)
Lease liabilities		(43.9)	-	(43.9)	(46.7)	-	(46.7)
Derivative financial liabilities	13	(1,589.6)	-	(1,589.6)	(1,652.0)	-	(1,652.0)
Deferred tax		(1,289.6)	-	(1,289.6)	(1,210.4)	-	(1,210.4)
Provisions for liabilities and charges	16	(290.6)	-	(290.6)	(265.7)	-	(265.7)
Pension deficit	14	(75.5)	-	(75.5)	(112.1)	-	(112.1)
		(22,721.8)	**-**	**(22,721.8)**	**(21,098.2)**	**-**	**(21,098.2)**
Net (liabilities)/assets		**(123.0)**	**713.0**	**590.0**	**(358.8)**	**642.1**	**283.3**
Equity							
Called up share capital		76.5	-	76.5	76.5	-	76.5
Share premium		100.0	-	100.0	100.0	-	100.0
Revaluation reserve		737.5	-	737.5	748.6	-	748.6
(Accumulated losses)/Retained earnings		(1,037.0)	713.0	(324.0)	(1,283.9)	642.1	(641.8)
Total equity		**(123.0)**	**713.0**	**590.0**	**(358.8)**	**642.1**	**283.3**

[1] Bank overdraft largely includes the impact of a committed BACs run. This presentation follows our accounting policy, whereby committed payments are accounted for on the date of payment instruction, which may be in advance of the cash settlement. £3.7 million of cash held in a pre-funding account was sufficient to cover the BACs outflows on the settlement date post 30 September 2025.

The material accounting policy information included within this interim report and condensed consolidated financial statements are an integral part of these condensed financial statements and should be read in conjunction with the material accounting policy information included in the Thames Water Annual Report 2024/25.

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

The condensed interim consolidated financial statements for Thames Water Utilities Limited, registered in England & Wales company number 02366661 on pages 22 to 64, were approved by the Board of Directors on 2 December 2025 and signed on its behalf by:

Steve Buck

Chief Financial Officer

Condensed consolidated statement of changes in equity

For the six months ended 30 September 2025

	Note	Called up share capital £m	Share premium £m	Cash flow hedge reserve £m	Revaluation reserve £m	Retained earnings / (accumulated losses) £m	**Total equity £m**
1 April 2024		76.5	100.0	(2.1)	770.9	833.9	1,779.2
Loss for the period		-	-	-	-	(189.7)	**(189.7)**
Cash flow hedge transferred to the income statement	13	-	-	2.8	-	-	**2.8**
Deferred tax charge on cash flow hedge		-	-	(0.7)	-	-	**(0.7)**
Net actuarial gain on pension scheme	14	-	-	-	-	16.8	**16.8**
Deferred tax charge on actuarial gain		-	-	-	-	(4.2)	**(4.2)**
Total comprehensive income / (expense)		-	-	2.1	-	(177.1)	(175.0)
Transfer of depreciation[1]		-	-	-	(15.0)	15.0	-
Deferred tax on depreciation transfer[1]		-	-	-	3.8	(3.8)	-
30 September 2024		76.5	100.0	-	759.7	668.0	1,604.2
Loss for the period		-	-	-	-	(1,324.1)	**(1,324.1)**
Net actuarial gain on pension scheme	14	-	-	-	-	4.2	**4.2**
Deferred tax charge on net actuarial gain		-	-	-	-	(1.0)	**(1.0)**
Total comprehensive income / (expense)		-	-	-	-	(1,320.9)	(1,320.9)
Transfer of depreciation[1]		-	-	-	(14.8)	14.8	-
Deferred tax on depreciation transfer[1]		-	-	-	3.7	(3.7)	-
31 March 2025		76.5	100.0	-	748.6	(641.8)	283.3
Profit for the period		-	-	-	-	327.7	**327.7**
Net actuarial loss on pension scheme	14	-	-	-	-	(28.0)	**(28.0)**
Deferred tax credit on actuarial loss		-	-	-	-	7.0	**7.0**
Total comprehensive income		-	-	-	-	306.7	306.7
Transfer of depreciation[1]		-	-	-	(14.8)	14.8	-
Deferred tax on depreciation transfer[1]		-	-	-	3.7	(3.7)	-
30 September 2025		76.5	100.0	-	737.5	(324.0)	590.0

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

The material accounting policy information included within this interim report and condensed consolidated financial statements are an integral part of these condensed financial statements and should be read in conjunction with the material accounting policy information included in the Thames Water Annual Report 2024/25.

Condensed consolidated statement of cash flows

For the six months ended 30 September 2025

	2025 Underlying £m	2025 BTL £m	2025 Total £m	Restated[1] 2024 Underlying £m	Restated[1] 2024 BTL £m	Restated[1] 2024 Total £m
Operating activities:						
Profit/(loss) for period	256.7	71.0	327.7	(239.5)	49.8	(189.7)
Less finance income	(90.7)	-	(90.7)	(142.7)	-	(142.7)
Add finance expense excluding interest on lease liabilities	427.5	-	427.5	347.0	-	347.0
Add interest expense on lease liabilities	1.6	-	1.6	1.6	-	1.6
Add/(less) net losses/(gains) on financial instruments	41.1	-	41.1	(115.3)	-	(115.3)
Add expected credit losses on loan receivable	30.5	-	30.5	310.9	-	310.9
Add taxation on profit/(loss) on ordinary activities	86.2	-	86.2	23.6	16.7	40.3
Operating profit	**752.9**	**71.0**	**823.9**	**185.6**	**66.5**	**252.1**
Depreciation on property, plant and equipment	363.8	-	363.8	346.8	-	346.8
Amortisation of intangible assets	33.4	-	33.4	35.8	-	35.8
Depreciation of right of use assets	3.9	-	3.9	3.4	-	3.4
Loss/(gain) on sale of property, plant and equipment	0.9	-	0.9	(1.3)	-	(1.3)
Difference in pension charge and cash contribution	(68.1)	-	(68.1)	(19.1)	-	(19.1)
Increase in inventory	(10.8)	-	(10.8)	(3.0)	-	(3.0)
Increase in trade and other receivables	(574.2)	(83.2)	(657.4)	(427.1)	(72.9)	(500.0)
(Increase)/decrease in contract assets	(115.9)	(3.9)	(119.8)	(29.5)	1.3	(28.2)
Decrease in trade and other payables	(18.5)	(1.9)	(20.4)	(66.8)	(8.9)	(75.7)
Increase in contract liabilities	513.5	17.3	530.8	420.6	19.4	440.0
(Decrease)/increase in provisions	(23.3)	-	(23.3)	118.4	-	118.4
Net cash generated by/(used in) operating activities[2]	**857.6**	**(0.7)**	**856.9**	**563.8**	**5.4**	**569.2**
Investing activities:						
Purchase of property, plant and equipment[3]	(1,161.6)	-	(1,161.6)	(979.9)	-	(979.9)
Purchase of intangible assets	(24.9)	-	(24.9)	(21.9)	-	(21.9)
Proceeds from sale of property, plant and equipment	0.3	-	0.3	1.1	-	1.1
Interest received	42.4	-	42.4	86.5	-	86.5
Payment to escrow[4]	(32.0)	-	(32.0)	-	-	-
Proceeds from escrow[4]	32.0	-	32.0	-	-	-
Net cash used in investing activities	**(1,143.8)**	**-**	**(1,143.8)**	**(914.2)**	**-**	**(914.2)**
Financing activities:						
New loans raised[5]	1,331.4	-	1,331.4	1,167.1	-	1,167.1
Repayment of borrowings[6]	-	-	-	(632.4)	-	(632.4)
Repayment of lease principal	(4.9)	-	(4.9)	(5.0)	-	(5.0)
Payment for derivative settlement	(21.3)	-	(21.3)	-	-	-
Interest paid	(327.4)	-	(327.4)	(209.1)	-	(209.1)
Net financing fees paid[7]	(62.6)	-	(62.6)	(11.6)	-	(11.6)
Net cash generated by financing activities	**915.2**	**-**	**915.2**	**309.0**	**-**	**309.0**
Net increase/(decrease) in cash and cash equivalents	629.0	(0.7)	628.3	(41.4)	5.4	(36.0)
Net cash and cash equivalents at beginning of period	209.4	25.8	235.2	1,148.2	6.3	1,154.5
Net cash and cash equivalents at end of period[8]	**838.4**	**25.1**	**863.5**	**1,106.8**	**11.7**	**1,118.5**

[1] The prior year results have been restated due to adjustments identified related to adoption of nil cost assets, refer to page 40 for further information.

[2] Net cash generated by operating activities for the six months ended 30 September 2025 includes £77.9 million (30 September 2024: £35.9 million) payments made during the six months ended 30 September 2025 related to the exceptional costs recognised in the Income Statement of £57.5 million (30 September 2024: £143.5 million) for advisors assisting in the equity raise and balance sheet restructuring process.

[3] Purchase of property, plant and equipment includes an adjustment to account for capital items within accounts payable, accruals, provisions and non cash items in the period, therefore this figure does not tie to the additions in Note 8.

[4] Under a turnover agreement a fee was payable to relevant Class A lenders in the event that court permission was given for an appeal of the restructuring plan (RP1) to be heard. £32.0 million was required to be paid to escrow on 15 April 2025 and this was returned on 4 August 2025, following the Supreme Court's decision to refuse permission to appeal on 28 July 2025. During the period the funds were held in Escrow it was not accessible. As a result, management's assessment was the money in Escrow did not meet the cash and cash equivalent criteria.

[5] New loans raised of £1,331.4 million (net of fees) relates to drawdowns from the super senior facility (30 September 2024: £nil million). There were £nil million drawdowns from Class A revolving credit facilities (30 September 2024: £1,087.1 million) and £nil million relating to Class A loans raised (30 September 2024: £80.0 million). Rollovers of drawdowns under revolving credit facilities will not appear as new cash flows in the cash flow statement.

[6] Repayment of borrowings of £nil million (30 September 2024: £632.4 million) includes £nil million of repayments relating to Class B revolving credit facilities (30 September 2024: £370.7 million Class B revolving credit facilities), £nil million loan repayments (30 September 2024: £140.8 million), £nil million repayment of a Class A revolving credit facility (30 September 2024: £120.0 million) and a £nil million bond repayment (30 September 2024: £0.9 million).

Condensed consolidated statement of cash flows (continued)

[7] Financing fees paid for the six months ended 30 September 2025 includes £55.7 million (30 September 2024: £2.9 million) of payments made relating to exceptional finance expenses on debt restructuring costs of £37.7 million (30 September 2024: £11.1 million) recognised in the Income Statement.
[8] Included in this value is £539 million held in TWSSI which is only available to TWUL subject to creditor consent and therefore this cash is not immediately accessible as at 30 September 2025.

The material accounting policy information included within this interim report and condensed consolidated financial statements are an integral part of these condensed financial statements and should be read in conjunction with the material accounting policy information included in the Thames Water Annual Report 2024/25.

Bazalgette Tunnel Limited (BTL) is an independent company, appointed in 2015 to construct the Thames Tideway Tunnel. Included in the cash flow amounts are amounts in relation to the arrangement with BTL and we have disclosed our underlying amounts separately as required by some of our financial covenants. Information on how the Company accounts for this arrangement is detailed in the material accounting policy information section.

Material accounting policy information

General information

Thames Water Utilities Limited (TWUL or the Company) is a private limited company incorporated in England & Wales 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 consolidated condensed financial statements have been reviewed, not audited.

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

The Thames Water Utilities Limited Group (the Group) includes the Company and its two subsidiaries Thames Water Utilities Finance plc (TWUF) and Thames Water Super Senior Issuer plc (TWSSI).

Statement of compliance

These consolidated interim condensed financial statements of the Group have been prepared on the basis of the policies set out in the March 2025 Annual Report in accordance with the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and do not comprise statutory financial statements within the meaning of section 434 of the Companies Act 2006. They should be read in conjunction with the Annual Report for the year ended 31 March 2025 which were prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The auditors' report on those financial statements was unqualified and included reference to the matter of material uncertainty related to going concern by way of emphasis. It did not contain any statement under section 498(2) (accounting records or returns inadequate or accounts or Directors' remuneration report not agreeing to records and returns), or section 498(3) (failure to obtain necessary information and explanations).

Principal risks and uncertainties

Since the publication of our Annual Report for the year ended 31 March 2025, our principal risk landscape remains materially unchanged with the exception of one additional risk identified in the period. This is titled "We fail to secure goods and services to deliver our agreed integrated business plan outcomes on time and within agreed cost targets" and has arisen as the water industry competes for suppliers, the delivery demands of the AMP (asset management plan) programme and a volatile macroeconomic environment.

Other principal risks and uncertainties comprise;

- Customer experience
- Engage stakeholders
- Climate change, population growth and biodiversity
- Compliance with core legal and regulatory obligations
- Regulatory, legislative, or political developments
- Revenue collection
- Liquidity
- Delivering within our means
- Legacy technology failure
- Employee and physical asset protection
- Cyber security and data protection
- Performance and resilience of our asset base
- Treat wastewater
- Supply of wholesome water
- Physical or mental harm
- Workforce
- We fail to secure goods and services to deliver our agreed integrated business plan outcomes on time and within agreed cost targets

Material accounting policy information (continued)

Principal risks and uncertainties (continued)

For further information on the above principal risks and uncertainties, please refer pages 21 to 27 in our published Annual Report for the year ended 31 March 2025.

Uncertainty concerning securing the capital the Company needs to finance our ambitious business plan, turnaround performance and increase financial resilience depends on securing a satisfactory agreement with Ofwat that is both financeable and investible. This is a matter the Company will continue to engage on with our regulators, and the Government.

Following the issue of the Final Determination by Ofwat in December 2024, TWUL concluded that the balance of risks and reward did not provide what was needed for an investible and financeable business plan during the 2025-2030 period. This is unlikely to change without a re-set of the regulatory landscape. TWUL has taken steps to secure the required financing in the near term to maintain its status as a going concern, and to give it the time to secure a sustainable longer-term outcome for its finances. TWUL took the decision to refer the Ofwat determination to the Competitions and Market Authority (CMA). Discussions between TWUL's senior creditors, the London and Valley Water Consortium (L&VW), Ofwat, and other regulators in relation to a potential market-led solution to the recapitalisation of the company are continuing. TWUL and Ofwat have agreed a further deferral of the Reference, which will provide an opportunity for these discussions to continue in the coming weeks. Given this, no deadline has been set for the end of the deferral period.

The Company continues to be exposed to inflationary pressures in FY26, which could impact its cost base and with bill increases expected in the future could increase the risk to cash collection rates. Rapid population growth and changing weather patterns also continue to put pressure on our ageing infrastructure. This creates risk of non-compliance with environmental regulatory and statutory requirements (see contingent liabilities accounting note for details of current investigations).

Basis of consolidation

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

Basis of preparation

The condensed interim consolidated financial statements for the six months ended 30 September 2025, set out on pages 22 to 27, have been prepared on the going concern basis with a material uncertainty disclosed.

Going concern

The consolidated financial statements for the six months ended 30 September 2025, set out on pages 22 to 27, have been prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities at fair value, and the Disclosure and Transparency Rules ("DTR") issued by the Financial Conduct Authority.

When considering whether the Group and Company are each a going concern, the Directors have had regard to IAS 1 para 25 which states that an entity shall prepare financial statements on a going concern basis unless the Directors either intend to liquidate the entity or to cease trading or have no realistic alternative but to do so.

Context

The Directors believe that it is reasonable to assume that actions can be taken such that the Group and Company have adequate resources, for a period of 12 months from the date of approval of the financial statements (the "Assessment Period"), to continue operations and discharge their obligations as they fall due. However, there exists a material uncertainty, which could occur in the very near term, which may cast significant doubt on the Group and Company's ability to continue as a going concern in relation to the preparation of the financial statements given the Group and Company requires a recapitalisation transaction (including the provision of additional equity funding and a restructuring of the Company's existing balance sheet) to be implemented, the outcome and timing of which are not within their control.

Material accounting policy information (continued)

Going concern (continued)

The Directors' have made a central assumption in their base case that the Group and Company will be able to conclude a holistic recapitalisation, implemented by way of a restructuring plan under Part 26A of the Companies Act 2006 ("RP2") (or by way of a Part 26 scheme of arrangement if feasible), either within the Assessment Period or shortly thereafter.

The Directors expect that for the recapitalisation transaction to be agreed the Company will require the support of multiple stakeholders including its creditors, Ofwat and wider Government and public sector bodies and that RP2 will also require court sanction (noting that such decision to sanction RP2 may be subject to an appeal). The continued support of stakeholders is outside the direct control of the Company.

The Directors further expect that for the recapitalisation transaction to be agreed, the Company will need to have sufficient liquidity to allow the transaction to be implemented. The Company has undrawn committed super senior funding of £234 million and the ability to access a further £1.5 billion comprising two uncommitted tranches of £750 million each (the "Accordion"). The Directors expect to require access to further tranches of funding from early 2026. As at the date of the approval of these interim financial statements, the conditions to access this funding have not been satisfied and the satisfaction or waiver of these conditions is outside the direct control of the Company. The Directors further expect that if further liquidity was required to complete the recapitalisation transaction, the Company would seek further funding from its creditors. However, the provision of such further funding is outside the direct control of the Company.

There is, therefore, material uncertainty which may cast significant doubt on the Group and Company's ability to continue as a going concern as to whether the Company will be able to deliver a recapitalisation transaction by way of RP2 successfully, either within the Assessment Period or at all. If it fails to do so, the Company would need to consider all options available to it at the time, but a severe but plausible consequence would be a special administration of the Company under the Water Industry Act 1991. Given the multiple interdependencies, these uncertainties could occur in the very near term. The Directors believe there are three elements that will be key to the success of a recapitalisation process pursuant to RP2 and each of these is itself subject to uncertainty:

1. Liquidity

Ensuring the Company has sufficient liquidity runway is an important step in the Company's process to increase its long-term financial resilience, to attract new equity into the business, restore its investment grade credit rating and address the Section 19 undertakings relating to restoration of investment grade credit ratings agreed with Ofwat in 2024 (as explained further below in "Other considerations").

Following a judgment of the High Court of Justice of England and Wales handed down on 18 February 2025, a restructuring plan under Part 26A of the Companies Act 2006 proposed by Thames Water Utilities Holdings Limited ("TWUHL", the Company's immediate parent) was sanctioned pursuant to an order of the High Court dated 21 February 2025 ("RP1"). On 17 March 2025, the sanction order was upheld by the Court of Appeal subject to a limited modification. On 30 July 2025, the Supreme Court refused Charlie Maynard MP permission to appeal the Court of Appeal decision (such request for permission having first been refused by the Court of Appeal, thereby concluding any further possible appeal in respect of RP1).

RP1 was designed to provide a sufficient liquidity runway to enable the Company and its Group to achieve a recapitalisation transaction, by extending the Company's liquidity runway. It was always envisaged that the implementation of the recapitalisation process would require a second restructuring plan. RP1 has enabled, and continues to enable, the Company to seek such a sustainable recapitalisation transaction. RP1 had three principal elements:

- it extended the maturities of all Class A Debt and Class B Debt (including amortisation payments, but in each case excluding hedging arrangements under the WBS structure) by two years, such that the earliest extended maturity of Class A Debt or Class B Debt falls in March 2027;
- it permitted a new Super Senior credit facility with an initial committed tranche of £1.5 billion, subject to conditions, and the Accordion, which may be accessible following the satisfaction or waiver of certain conditions precedent (some of which in relation to the £1.5 billion intercompany loan from TWSSI to TWUL and the Accordion are not yet satisfied and remain out of the Group and Company's control); and
- it temporarily suspended a number of the financial and other covenants in the Company's financing documentation.

Material accounting policy information (continued)

Going concern (continued)

The Company commenced the drawdown process for the first tranche of funding from TWSSI in April 2025, and further tranches of funding were drawn from TWSSI in May 2025, July 2025, August 2025 and November 2025. To date, the Company has drawn principal of c. £1,193 million of funding from the initial committed tranche. The remaining principal of £234 million committed (and available subject to satisfaction or waiver of conditions precedent) and undeferred[1] super senior funding is expected to provide liquidity through until at least March 2026 based on the latest Board approved forecast. The Group's and Company's liquidity position and cashflow projections are closely monitored and updated regularly; there remains a risk that short term net cash outflows may be higher than expected, which may shorten the liquidity runway.

The drawing of super senior funding by TWUL is subject to conditions precedent including that for any drawing on or after 28 November 2025, the Supported LUA (Lock Up Agreement) Condition must be satisfied. This date was extended from 31 July 2025 to 28 November 2025 as part of the recent consent processes and the Company continues to work in good faith to implement a recapitalisation transaction in order to satisfy this condition, with the ability for further extensions to be granted. The Company is also considering requesting consent from creditors to remove the requirement to hold cash in the Debt Service Payment Account so that the cash is available for other purposes.

The Supported LUA Condition also applies to the Accordion, as does a condition that the CMA referral decision has been made, with the ability for these conditions to be waived. The Company expects to utilise the first tranche of the Accordion in the first calendar quarter of 2026, and therefore currently anticipates that the process to commit the first tranche of the Accordion will commence in early 2026. The full Accordion is expected, once available, to provide liquidity until November 2026 based on the latest Board approved forecast.

The Company expects to launch further waiver processes in relation to the remainder of the first tranche of the super senior funding and in relation to the Accordion whilst the relevant conditions remain unsatisfied. The super senior creditors have been supportive and the requisite voting thresholds have been achieved in each waiver process to date with a consent rate significantly above the requisite majorities. There can, however, be no certainty that such super senior creditors will provide waivers to extend the Supported LUA Condition date or facilitate the Accordion without a supported lock-up agreement being in place, or provide sufficient commitments to fill the £1.5 billion Accordion and therefore these conditions are outside the direct control of the Company.

The Company has historically been subject to financial covenant ratio tests which monitor the interest cover and gearing. However, following the implementation of RP1, amendments have been made to the Company's debt documentation. The outcome of these amendments is that the Trigger Events and Events of Default relating to financial ratios are no longer applicable during the ongoing period known as the 'Stable Platform Period' which commenced on 25 February 2025 and will continue until March 2027, by which point the Company expects to have completed its holistic recapitalisation transaction and agreed appropriate go-forward covenants.

During this period, however, the Company and the Group has heightened reporting obligations to its secured creditors under its WBS structure. The Company also has additional covenants including a minimum liquidity cashflow covenant ("Minimum Liquidity Covenant") requiring, upon a request to drawdown on super senior funding from TWSSI, confirmation that the Company and the Group has sufficient positive liquidity for a rolling 13-week period for any week that ends before 28 February 2026. The Company considers that the Minimum Liquidity Covenant should continue (to the extent required) to be met through the Assessment Period. However, this is subject to uncertainty as the Company and the Group are subject to various demands on liquidity which could be increased as a result of periods of greater cash requirements for the business for ongoing projects, the size and timing of any potential future penalty notices, costs in respect of investigations and enquiries, and potential risks around forecasting accuracy of weekly cash requirements.

Even if creditors agree to commit a further £1.5 billion to fill the Accordion and give any necessary waivers to funding, there is uncertainty as to whether RP2 will be completed before the liquidity is exhausted. In these circumstances, the Company would expect to seek further funding from its creditors. There is uncertainty as to whether creditors would provide such funding.

[1] c.£73 million from the initial committed tranche has been deferred until the full super senior funding, including the Accordion, has been obtained as a result of relevant super senior creditors not participating in previous waiver processes. An amount equal to the deferred amount, can be requested for commitment from other super senior lenders.

Material accounting policy information (continued)

Going concern (continued)

2. Financeable and investible regulatory settlement

Ofwat published its PR24 Final Determination ("FD") for the Company on 19 December 2024. The Company has concluded that the FD is neither financeable nor investible. It followed a diligent decision-making process with its Executive and Board that resulted in a unanimous decision, announced on 14 February 2025, to ask Ofwat to refer the FD to the CMA for a full redetermination.

On 18 March 2025, the Company announced that it had agreed with Ofwat to defer making the CMA reference for a period of up to 18 weeks to explore the possibility of unlocking a market-led solution for the recapitalisation of the Company. On 18 July 2025, the Company announced that it had agreed with Ofwat to further defer making the CMA reference until 22 October 2025 and, on 21 October 2025, the Company announced that it had agreed with Ofwat to further defer making the CMA reference, and no deadline has been set for the end of the deferral period.

The Company has continued to work on its statement of case such that it will be ready for submission if at any point in the process it determines that a CMA reference is required. The CMA must take into account the same statutory duties, strategic priorities and objectives (as set out in the Water Industry Act 1991) as Ofwat, including in relation to Ofwat's duty to exercise its powers in the manner which it considers is best calculated to (among other things) secure that water and sewerage undertakers are able (in particular, by securing reasonable returns on their capital) to finance the proper carrying out of their functions.

On 9 October 2025, the CMA published its provisional determinations in respect of the five water companies who had their FDs referred for a CMA redetermination (the "Provisional CMA Determinations"). The deadline for the disputing companies and third parties (including the Company) to make submissions to the CMA in response to the Provisional CMA Determinations has passed. The CMA is currently considering these submissions and is required to issue final determinations for the five disputing companies by 17 March 2026. If the Company does ultimately withdraw its agreement to defer the CMA reference, the CMA will determine at that point the process to be followed for the redetermination (which would be a separate process to the current redetermination for the other disputing companies). There can be no assurance that the CMA would make a redetermination that is more investible or financeable than Ofwat's PR24 FD. An unfavourable CMA determination could increase the risk of a special administration outcome.

The Company has also concluded that the increase in investment required during AMP8 brings challenges relating to deliverability, predominantly in the wastewater non-infrastructure area of the Company's business. The Company has worked to optimise its investment plan to allow it to deliver the maximum possible wastewater outputs within AMP8. However, the Company remains of the position that it is not possible for it to do everything required of it to achieve compliance with environmental requirements during AMP8, including with wider requirements beyond the schedule of projects required to be delivered under the Water Industry National Environment Programme in AMP8 ("WINEP8").

A consortium formed of the Company's senior creditors ("L&VW") are currently engaging in intensive and detailed discussions with Ofwat and other stakeholders to seek to agree revised regulatory arrangements that would provide a sustainable basis for investment of new equity and the restructure of the Company's debt. On 2 October 2025, L&VW announced the submission of an updated proposal to Ofwat to deliver the turnaround and recapitalisation of the Company (the "L&VW Proposal"). L&VW are continuing to engage in discussions with Ofwat and other stakeholders to agree revised regulatory arrangements in line with the proposals contained in the L&VW Proposal. There is uncertainty as to when these discussions will conclude and whether these discussions will deliver revised regulatory arrangements.

3. Equity raise and debt restructure

The Company announced in 2024 that following receipt of the PR24 draft determination it would pursue all options to secure an equity investment from new or existing shareholders. It therefore commenced an equity raise process in the Summer of 2024. The Company started with a pre-marketing phase in July 2024. Parties had access to a comprehensive set of diligence materials throughout the first phase of the equity process, ultimately resulting in five non-binding proposals being received on 5 December 2024 and revised non-binding proposals being received from six parties on 10 February 2025. As part of the review of the revised non-binding proposals, a sub-committee of the Board of the Company met regularly to consider these revised proposals and the Company's financial adviser held

Material accounting policy information (continued)

Going concern (continued)

clarificatory calls with, and received supplementary information from, the various parties. The Company has kept Ofwat updated throughout this process and Ofwat met with each of these parties.

On 31 March 2025 the Company announced, following the detailed assessment of proposals received, that it had selected KKR to enter the Phase 2 diligence stage of the equity process as preferred partner. The Company's senior creditors in parallel progressed work on an alternative proposal to recapitalise the Company. Following a 10-week due diligence process, KKR advised in writing on 2 June 2025 that it was not in a position to proceed and its preferred partner status lapsed. The alternative recapitalisation proposal from the senior creditors was submitted at the same time and, as set out above, the Company is continuing discussions with those senior creditors, Ofwat and other stakeholders on the proposal.

The Board is focussed on putting Thames Water on a more stable financial foundation, implementing its turnaround plan and delivering a market-led solution that is in the best interests of customers, UK taxpayers and the wider economy. Discussions to progress the creditor-led transaction continue, including with Ofwat and the Company's other stakeholders. Agreed transaction terms are targeted for early 2026 with a view to progressing towards full implementation of a transaction by way of RP2 in 2026, although this will depend on the progress in ongoing discussions.

RP2 will also require High Court sanction. In order for the court to sanction RP2, relevant creditors will need to vote in favour of RP2. In the event that not all relevant classes of creditors vote in favour, the court may exercise its discretion to sanction the plan in any event. There is a risk that creditors, shareholders or other parties challenge RP2 as part of the court process, and/or that the court refuses to sanction RP2. Furthermore, even if the court were to sanction the plan, it is possible that the sanction could be appealed by any impacted party in both the Court of Appeal or a higher court.

Advisors to L&VW have confirmed that their clients' priority is to ensure that the creditor-led proposal (and the regulatory support required to deliver it) is implemented as soon as possible. However, there is no certainty that a binding proposal will be forthcoming from L&VW (as it remains subject to diligence, documentation and regulatory and other approvals, as well as the ongoing discussions with Ofwat and other stakeholders) or that it will be capable of being implemented.

As a result, there can be no certainty that the transaction will raise sufficient (or any) funds for the Company to be able to achieve an investible and financeable PR24 outcome; or that the L&VW proposal, including any associated debt restructuring, will receive the support of its stakeholders or court approval.

Other considerations

There is continued risk of non-compliance with the Company's instrument of appointment.
On 24 July 2024 Moody's downgraded the Company's corporate family rating to Ba2 with negative outlook (from Baa3) and on 31 July 2024 Standard & Poor's downgraded TWUF's Class A debt by two notches to BB with negative outlook (from BBB- previously). Both ratings then fell below the requirements set out in Condition P26 of the Company's Licence requiring two ratings of investment grade to be held. During subsequent months both ratings were downgraded further, with Moody's Corporate Family rating now at Caa3 (stable outlook) and Standard & Poor's Class A rating now at CCC (negative outlook).

As a result of these downgrades by S&P and Moody's, TWUL does not currently hold any investment grade credit ratings and Ofwat has confirmed that it is in breach of Condition P26 of its Licence. A package of undertakings was accepted by Ofwat in which the Company committed to taking all reasonable steps to address the concerns raised by its credit rating agencies and to restore two investment grade credit ratings. The consultancy firm, L.E.K. Consulting, was appointed as an 'independent monitor' to review the Company's progress and compliance with the undertakings it made to Ofwat. Successfully restoring its investment grade credit rating is reliant on securing an investible and financeable PR24 outcome (which may be subject to a CMA referral), securing new equity investment and completing a sustainable recapitalisation of the business. The Directors believe that the Company is currently compliant with the undertakings.

On 28 May 2025, Ofwat issued two penalties to the Company:

Material accounting policy information (continued)

Going concern (continued)

- a penalty notice for £18.2 million in respect of its finding of contravention by the Company of Condition P30 of its Licence in relation to certain interim dividend payments made in October 2023 and March 2024. No enforcement order was issued, with Ofwat noting that credit rating downgrades subsequent to those interim dividend payments mean that the Company is now in cash lock-up and is unable to declare or settle any future dividends (without Ofwat's prior consent) until such a time as its investment grade credit ratings have been restored. The inability of the Company to pay a dividend as a result of the cash lock-up and the uncertainty that may arise in relation to future declaration of dividends could affect the equity proposition that the Company represents; and
- an enforcement order which, among other things, required the Company within 6 months to agree remediation plans with Ofwat, alongside a penalty notice which imposed a penalty of £104.5 million. The Company submitted remediation plans to Ofwat on 28 November. As part of agreeing these remediation plans, the Company assessed the cost and timing of the capital investment required and identified significant costs which were not fully funded through the existing Final Determination. The Company is continuing to assess the level of capital investment required as it carries out further investigations as part of the implementation of the remediation plans. It is noted that the parallel investigation into compliance with Environmental Permits at Sewage Treatment Works by the Environment Agency continues and there remains uncertainty as to the conclusion of such investigation and its potential impact on the financial position of the Company.

On 27 August 2025, the Company announced the agreement of a payment plan with Ofwat in respect of these penalties. Under this payment plan, the Company agreed to pay 20% of the total combined penalties (being £24.5 million) by 30 September 2025 and the balance of the penalties upon the earliest of (i) 30 days after the implementation of RP2; (ii) 31 March 2030; and (iii) if a special administration of the Company occurred under the Water Industry Act 1991, 30 days following the Company's exit from special administration. On 22 September 2025, the Company announced that its super senior creditors had approved the payment plan via a consent request process. The Company has since paid the first instalment by the date on which it was due under the payment plan.

The Company also faces a number of significant incomplete enquiries, investigations and litigation (as set out in further detail in the notes of the financial statements) that could lead to significant fines and penalties, unfunded expenditure costs and claims in damages. The impact of these, including any potential future enquiries, investigations and litigation, could place restraints on the financial resources available to the Company (and consequently the timeline available to complete the recapitalisation), potential returns to equity investors and further affect the investibility and financeability of the Company.

Taking all of the uncertain factors disclosed in this section together there can be no assurance that the L&VW proposal will raise sufficient (or any) funds for the Company to be able to achieve an investible and financeable PR24 outcome. In the event that the Company cannot implement the PR24 Business Plan in full, without revised regulatory arrangements, it is possible that it would over time breach the conditions of its Instrument of Appointment, the Water Industry Act 1991, its environmental permits and other legislation.

These could be breached (or be likely to be breached) in such a way that would be serious enough to make it inappropriate for the Company to continue to hold its licence of appointment and give rise to a ground for the Secretary of State (or Ofwat, with the consent of the Secretary of State) to petition the court for a Special Administration Order (including through a significant adverse operational event, depending on its severity). A petition could also be made if the Company is unable to pay its debts. Any or all of these factors, or analogous factors, singularly or in combination, may lead to a Special Administration Order. The purpose of the Special Administration Regime is to enable the functions of a water and sewage undertaker to be carried out whilst a special administrator seeks to rescue the business as a going concern and/or transfer, as a going concern, its undertaking to one or more other companies.

Conclusion

The Directors believe that it is reasonable to assume that the Group and Company will have adequate resources, for a period of 12 months from the date of approval of these financial statements, to continue operations and discharge their obligations as they fall due. In assessing whether the Group and Company have adequate resources, for a period

Material accounting policy information (continued)

Going concern (continued)

of at least 12 months from the date of approval of these financial statements, to continue operations and discharge their obligations as they fall due, the Directors have taken into consideration all of the factors set out above.

However, for the reasons set out above, the Directors believe there exists material uncertainty as to whether the Group and the Company will be able to deliver a recapitalisation transaction by way of RP2 successfully, either within the Assessment Period or at all. If it fails to do so, the Company would need to consider all options available to it at the time, but a possible consequence would be a special administration of the Company under the Water Industry Act 1991. The three elements which will be key to the success of a recapitalisation transaction pursuant to RP2 are each subject to uncertainties which are outside of the Group and Company's control and which could occur in the very near term. Taken together these may cast significant doubt on the Group and the Company's ability to continue as a going concern in relation to the preparation of the financial statements.

The financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as a going concern.

Exceptional Items

Exceptional items are those charges or credits, and their associated tax effects, that are considered to be outside of the ordinary course of business by the Directors, either by nature or by scale, and that are of material significance such that separate disclosure is required for the financial statements to be properly understood by the users of the financial statements.

The determining factor for exceptional items is whether or not the item is considered unusual in nature, although exceptional charges may impact the same asset class or business segment over time. Market conditions that have deteriorated significantly over time will only be captured to the extent observable at the balance sheet date. Examples of items that may be considered exceptional include business restructuring and reorganisation or transformation costs, significant gains or losses on disposal, material impairment charges or reversals and provisions in relation to contractual settlements associated with significant disputes and claims.

Exceptional items recognised in the financial statements in the current year relate to restructuring, transformation expenditure and expected credit losses on intercompany receivables. The Group continues to recognise exceptional items related to the process of raising equity and managing our creditors due to financial resilience challenges faced by the business, and these are expected to continue into the rest of the financial year. These costs are deemed significant and outside our ordinary course of business and therefore are considered to be exceptional by value and by nature.

Bazalgette Tunnel Limited (BTL) arrangement

Bazalgette Tunnel Limited (BTL) is an independent company, appointed in 2015 to construct the Thames Tideway Tunnel (TTT). The Group results recognise revenue, cost and profit on the arrangement with BTL, and disclose underlying performance separately, as required by certain Group financial covenants.

BTL is separately regulated by Ofwat and is subject to its own price reviews. Under the terms of BTL's licence, BTL will earn and collect revenues by charging the Company for its services. The Company will subsequently charge these amounts to its wastewater customers (based on modifications to the Company's licence) – these amounts are charged as wastewater services. As cash is collected, these amounts are subsequently paid to BTL, under the 'pay when paid' principle.

Further details are provided within our Annual Report for the year ended 31 March 2025.

Significant accounting judgements and key sources of estimation uncertainty

The preparation of interim financial statements requires the Group to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's material accounting policy information and the key sources of estimation uncertainty were the same as those applied in the Annual Report for the year ended 31 March 2025 except as reported below.

Accounting estimate – valuation of derivatives

The Group holds derivative financial instruments that fall into the following categories:

- index-linked swaps;

Material accounting policy information (continued)

Significant accounting judgements and key sources of estimation uncertainty (continued)
Accounting estimate – valuation of derivatives (continued)

- cross currency swaps; interest rate swaps; and
- consent fee derivatives (which are an integral part of index-linked and interest rate swaps).

A significant accounting estimate has been made in assessing the credit risk adjustment in the fair valuation of derivatives, and further detail is found in the Credit Risk Adjustment section below.

Consent Fee Derivatives

As part of the court-sanctioned restructuring plan, the TWUL Group amended its existing agreements with swap counterparties to include additional fees (the consent fee derivatives) and additional break clauses were included. The fees were applied under amended International Swaps and Derivative Association (ISDA) agreements and confirmations. Under the consent fee derivatives, the fees are due to be paid to counterparties with index-linked and interest rate swap exposures, based on the unadjusted market value of those derivatives (net of cross currency swap market values if offsetting) on 15 January 2025 and every anniversary of that date, whilst TWUL Group's debt does not have two investment grade credit ratings. There is an initial 3% fee payable in two equal instalments and then a 1% per annum fee payable semi-annually. The first 1.5% fee instalment was paid on the first restructuring plan transaction effective date, 14 August 2025. The second 1.5% instalment is due (with certain exclusions) on the date a recapitalisation transaction completes. The 1% per annum fee accrues from 15 January 2025 and is initially payable on the earlier of the expiry of the stable platform period (which commenced on 25 February 2025 and will apply until the next senior debt maturity date (currently 22 March 2027), or the implementation of a recapitalisation and is then payable semi-annually whilst TWUL Group's debt does not have two investment grade credit ratings.

The consent fee derivatives are considered integral to the interest rate and index-linked swaps and their cash flows are dependent on them. Management has made a judgement that they cannot be separated from the swaps which they are dependent on as they cannot be separately traded without changes to the documentation. Therefore, the consent fee derivative and original swap are assessed as one unit of account. As a result, the current and non-current classification is determined based on the legal maturity date of the original swap, which may differ from when the fees become payable. To assist readers in understanding the impact of the restructuring plan and exceptional costs incurred we have presented consent fee derivatives separately.

The fair value of financial assets and liabilities represents the price that would be received to sell an asset or paid to transfer a liability. The techniques for determining the fair value of financial instruments are classified under the hierarchy defined in IFRS 13 Fair Value Measurement, which categorises inputs to valuation techniques into Levels 1 to 3 based on the degree to which the fair value is observable.

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

Unless otherwise stated, all of the Group's inputs to valuation techniques are Level 3 – the fair value is determined using management assumptions from inputs other than quoted prices. The fair value of derivative financial instruments, including interest rate swaps, cross currency swaps and index-linked swaps are measured by analysing future cash flows of all of the transactions within each netting set. The future cash flows are projected based on observable forward interest rates and inflation rates, and future fair values are estimated under a wide range of market scenarios and valued taking into account the credit risk of the Group and counterparties, using observable market data and where necessary, management estimation.

Credit risk adjustment

IFRS 13 requires that when measuring the fair value of a liability, an entity shall take into account the effect of its credit risk. The bilateral credit valuation method is used, which reflects the credit risk of the Group and counterparties. Interest rate and index-linked swaps rank higher than Class A debt and in the prior year, cross-currency swaps ranked alongside Class A debt but following the court-sanctioned restructuring plan, cross-currency swaps rank higher than Class A debt. A super seniority adjustment is therefore applied in the valuation of all swaps, except for three accretion

Material accounting policy information (continued)

Significant accounting judgements and key sources of estimation uncertainty (continued)

Accounting estimate – valuation of derivatives (continued)

agreements which are accounted for as derivatives but are documented as Class A instruments, so rank alongside Class A debt and are valued by reference to the trading levels of Class A debt.
The 30 September 2025 movement from Level 2 to Level 3 instruments is shown below for the Group.

Six month period 31 March 2025 to 30 September 2025 Level 3 instruments	2025 £m
Opening balance	(1,418.2)
Transfers from Level 2 to Level 3[1]	-
Gains and losses recognised through profit or loss	68.3
Closing balance	**(1,349.9)**

Six month period 31 March 2024 to 30 September 2024 Level 3 instruments	2024 £m
Opening balance	-
Transfers from Level 2 to Level 3[1]	(1,332.3)
Gains and losses recognised through profit or loss	65.6
Closing balance	**(1,266.7)**

Six month period 31 March 2024 to 30 September 2024 Level 2 instruments	2024 £m
Opening balance	(1,347.6)
Transfers from Level 2 to Level 3[1]	1,332.3
Gains and losses recognised through profit or loss	(59.1)
Closing balance	**(74.4)**

[1] The accounting policy is to transfer any fair value between fair value hierarchies (Level 1 – 3) at the end of the reporting period.

In its valuation of its Level 3 derivatives, the Group uses observable market data as a starting point. The primary source of data is the trading spread of its Class A debt instruments. A Class A spread curve is generated using the cubic spline methodology. This is then adjusted using observable market data which can be used to estimate the adjustment in the Class A credit curve appropriate for super senior instruments. If the observable market data is not considered to correlate sufficiently with the Group's own instruments, management judgement is then applied to adjust the derived curve to be an estimate that management judges to be reasonable. At each reporting date, these data points and judgements are reviewed and updated to maintain a reasonable approach and a decision will be made as to whether the transactions should be classified differently from Level 3.

An adjustment to the Class A credit curve has been estimated in order to determine a super senior credit curve for the valuation of super senior swaps. As at 30 September 2025, a 510 basis points differential has been applied at a six month maturity, reducing to a 500 basis point differential applied at five year maturities and beyond. This adjustment is a management estimate as to what the overall difference in spread would be which market participants would take into consideration for super senior versus Class A instruments. This estimate has been informed by the trading level of TWSSI's super senior bond. The yield was calculated based on an assumption that the debt will be redeemed at the make-whole price prior to its maturity as part of a holistic recapitalisation. This is an estimate made by management, given a lack of any more appropriate data point in determining the credit spread for the Group's super senior derivatives. As at 31 March 2025, the differential between the Class A credit curve and the super senior credit curve used in the valuation of swaps was 750 basis points for the first three years, reducing to 400 basis points by 15 years maturity.

Recovery rate assumptions to be used in the valuation of derivatives were also considered. At 30 September 2024 a recovery rate of 40% was used for both Thames Water and swap counterparties in the valuation of derivatives. At 31 March 2025, Class A bond trading levels (70% - 80%) were used as an indicator of the level of loss which creditors might expect in a near term restructuring. At 30 September 2025, the average trading price of Class A bonds was

Material accounting policy information (continued)

Significant accounting judgements and key sources of estimation uncertainty (continued)

Accounting estimate – valuation of derivatives (continued)

also used (c. 70%). The recovery rate for super senior instruments would be expected to be higher than for Class A debt, and management judgement has been used in the assumption of a recovery rate of 85%, to reflect this seniority, and is approximately half-way between Class A bond trading levels and the maximum possible recovery rate of 100%. A lower rate was not selected because this was seen as too close to the Class A bond trading levels, and so would not sufficiently take into account the higher ranking of the swaps versus Class A debt.

Management believe the assumptions used are reasonable, with the rationale set out above, although the credit related assumptions are not based on observable inputs alone. Management acknowledge that the assumption on recovery rate and credit spread is a significant assumption in the valuation methodology and that reasonably possible changes in the estimates could have a material impact. For example, if the recovery rate assumption was reduced from 85% to 75%, the increase in credit adjustment on super senior swaps would be:

- £78 million using the same credit spread assumption as described above, meaning a different probability of default is implied
- £139 million using the same probability of default assumption as described above, meaning a different credit spread is implied

Interest rate and index-linked swap counterparties have a mandatory or optional break clause from the first business day following 31 December 2028 if Thames Water does not have two investment grade ratings and on 1 April 2030 if a recapitalisation transaction has happened before that date (unless the interest rate and index-linked hedge providers are a voting class in that transaction, Class A creditors did not vote on the transaction, or if the hedge provider consented to the recapitalisation transaction). These break clauses would ordinarily be expected to reduce the size of the non-performance risk given the break will potentially bring cash flows forward for counterparties. An assessment has been carried out of the non-performance risk if interest rate and index-linked swaps were terminated on 2 January 2029 and on 1 April 2030 and the breaks are not thought to materially impact the valuations derived as described above. The three Class A accretion agreements which are accounted for as derivatives for which, under the court-approved restructuring plan, certain payments were delayed by two years, may be subject to a maturities flip back or the transaction may be subject to early repayment. For consent fee derivatives, the timing of future cash flows is linked to the timing of when two investment grade credit ratings are achieved and whether break clauses will be exerciseable. The cash flows themselves are dependent on the valuation of interest rate and index linked swaps with the relevant counterparty at 15 January 2025 and each anniversary date. Management judgement has been used in estimating the quantum and timing of the cash flows in valuing these transactions. The use of unobservable inputs for every type of derivative means they have all been classified as Level 3.

As at 30 September 2024 the differential between TWUL Group's super senior and Class A credit spread was calculated by reference to investment grade and high yield corporate bond indices, with a further downwards adjustment in spread applied. In cases where unobservable inputs are used and such use does not significantly impact the result, the relevant derivative instruments are classified as level 2. The use of significant unobservable inputs, means that at 30 September 2025 all derivatives are classified as level 3, which is the same classification as at 31 March 2025, meaning no transfers between levels 2 and 3 have taken place in the period. The accounting policy is to transfer any fair value between fair value hierarchies (Level 1 – 3) at the end of the reporting period. At 30 September 2024 index-linked and interest rate swaps were classified as level 3, while cross-currency swaps were classified as level 2 as at that time they were ranked in line with Class A debt. See note 13 for further details.

The uncertainty on appropriate inputs for valuation for derivatives may persist for the remainder of the financial year and into the next financial year, depending on the success and timing of the Company's plans for a holistic recapitalisation.

The net total of derivative financial assets and liabilities as at 30 September 2025 was a liability of £1,349.9 million (31 March 2025: a liability of £1,418.2 million) of which £73.4 million was the consent fee derivatives element. The valuation if no credit and any other adjustment is applied is £1,612.9 million net liability (31 March 2025: £1,643.6 million net liability). The credit and any other adjustment is £263.0 million (31 March 2025: £225.4 million).

The restructure of a derivative measured at fair value may result in a change to the observed fair value on the restructure date. Changes in the fair value may be attributable to both observable and unobservable factors. IFRS 9 does not permit the recognition of a restructure date fair value change in the Income Statement unless it relates to factors that are fully observable in the market. In cases where, due to unobservable factors, it is not possible to reliably

Material accounting policy information (continued)

Significant accounting judgements and key sources of estimation uncertainty (continued)

Accounting estimate – valuation of derivatives (continued)

identify the actual fair value movement, the whole of the observed fair value movement is capitalised and recognised in the Income Statement over the maturity period of the relevant restructured derivative.

During 2019/20, three index-linked swaps with a total notional value of £400 million were restructured. At the restructuring date, the fair value of these instruments, as indicated by their fair value immediately prior to the restructuring, could not be supported by observable inputs alone. In management's view, the reduction in value of £38.0 million at the restructuring date is supported by unobservable factors, including the counterparty's credit, capital, funding and trading charges. This reduction in value that was supported by unobservable inputs does not impact the ongoing valuation methodology of the index-linked swaps. Therefore, such movement was deferred on the Statement of Financial Position in compliance with IFRS 9 and will be recognised in the Income Statement on a straight-line basis over the life of the underlying derivative instrument. In the prior year, the valuation continued to be supported by observable inputs and hence it was appropriate for these to be categorised within level 2 of the fair value hierarchy. Unobservable inputs in the valuation of these swaps at 31 March 2025 and at 30 September 2025 mean that they are now categorised at level 3. As at 30 September 2025, £26.2 million (31 March 2025: £27.3 million) remained capitalised within derivative financial liabilities and £1.1 million had been recognised in the Income Statement within net gains/(losses) on financial instruments (30 September 2024: £1.1 million).

Accounting judgement – provision for expected credit losses

Management makes an estimate of the recoverable value of the TWUHL loan receivables in line with the provisions of IFRS 9. When assessing these receivables for expected credit losses, management considers factors driving recoverability, including the borrower's ability to pay, net debt of the borrowing entity, seniority of debt and historical experience, among other factors. Key inputs into management's expected credit losses model include the forecast outcome of the Competitions and Markets Authority (CMA) deferred appeal regarding the Final Determination awarded by Ofwat for AMP8 (period from 1 April 2025 to 31 March 2030), the outcome of the consortium of London & Valley Water (the creditors) plan for Thames Water, assumptions over equity and the debt restructuring plan.

In accordance with the specific requirements of IFRS 9, the expected credit loss on the TWUHL loan receivables is determined by estimating the expected recoverability of these assets based on different scenarios considered by management, informed by available data. Various recovery scenarios were considered in a multiple factor analysis by applying management's judgement to assign probabilities to possible outcomes regarding the creditors' plan and CMA deferred appeal. This was then further considered with a view on possible equity injections from new shareholders/ creditors and how this funding would flow through the group structure into the Company. A scenario including the Company entering into a Special Administration Regime (SAR) was considered. No scenarios were modelled where recoverability of the TWUHL receivable was facilitated by the payment of dividends from TWUL to TWUHL. This is due to TWUL not forecasting payment of dividends in AMP8 given the uncertainties around the structuring for the ultimate restructuring process.

Management have also exercised judgement over the probability weighting of the scenarios based on management's view about the likelihood of each scenario arising. The probabilities were assigned to the scenario using the following as a base:

- A successful creditors' plan or CMA appeal, in the form of 50% probability of funding being received directly into TWUHL, and a 50% probability of funding being received into TWUL or an alternative parent entity. Should the funding be received in TWUHL, this would not be considered a route for recovery of the loan receivable due to ongoing discussions regarding the creditors' plan and the expectation receivable balances will be written off under our proposed restructuring plans prior to or as a condition of the creditors' plan.
- An unsuccessful CMA appeal which results in SAR and funding being subsequently received by an entity which is not TWUHL

Provisions for expected credit losses on intercompany receivables, which are detailed in notes 5 and 9, total £1,420.0 million as at the six months ended 30 September 2025 (31 March 2025: £1,389.5 million). A further expected credit loss of £30.5 million (31 March 2025: £1,270.6 million) has been recognised in the Income Statement as an exceptional item in the current period as these losses are not as a result of the ordinary course of business.

Management have determined there is a remote scenario where recovery of the TWUHL loan receivables could occur, however it is so minimal that it was not considered further in the assessment. Therefore, as at 30 September 2025, the full value of the TWUHL loan receivables has been provided for with no sensitivity analysis required.

Material accounting policy information (continued)

Significant accounting judgements and key sources of estimation uncertainty (continued)

Accounting judgement – provision for expected credit losses (continued)

As at 30 September 2025, management have concluded that the loans have entered Stage 3 of the IFRS 9 Expected Credit Loss model as a result of the publication of the creditors' plan, which indicated that there was enough objective evidence to indicate that there are significant financial difficulties of the borrower and lender of this loan and the expectation that the receivable balances will be written off. Therefore, the receivables are now credit-impaired financial assets. In line with IFRS 9, lifetime expected credit losses are recognised and management will apply the effective interest rate to the amortised cost (gross carrying amount less the loss allowance) of the financial asset in subsequent reporting periods.

Seasonality and cyclic nature of operations

Fluctuations in the billing cycle across the year impact balances reported in our Statement of Financial Position, see Note 10 Trade and other receivables and Note 11 Contract liabilities for further information.

Summary of prior year restatement

Cash flow presentation

The Company is obligated under its licence, to adopt assets which have been constructed under self-lay by third parties at nil cost to the Company (nil cost adopted assets). At the point of adoption, the Company recognises the nil cost adopted assets at fair value within Property, Plant & Equipment and a corresponding deferred income liability. Over the useful economic life of the nil cost adopted assets depreciation and other operating income is recognised. Following a review by management it was identified that nil cost adopted assets had not been appropriately excluded from the Consolidated Statement of Cash Flow in error which resulted in higher investing cash outflows and higher operating cash inflows being presented (values net to nil). The prior period ending 30 September 2024 has been restated to exclude this non-cash transaction, and this accounting treatment has been applied in the six months ended 30 September 2025. The restatement does not impact our reported profit, net cash flow movements, reported cash balances within the Statement of Financial Position, liquidity or outcomes for our covenant reporting and was also adjusted for within the 2024/2025 Annual Report and Accounts.

Restatements to the prior year

Amendments to the previously stated balances on the Consolidated Statement of Cash Flows related to this restatement are:

	As previously stated			Amendment	**Restated**		
	Underlying	BTL	Total	Underlying	**Underlying**	**BTL**	**Total**
Restated 30 September 2024	£m	£m	£m	£m	**£m**	**£m**	**£m**
Increase in contract liabilities	461.4	19.4	480.8	(40.8)	420.6	19.4	440.0
Net cash generated by operating activities	**604.6**	**5.4**	**610.0**	**(40.8)**	**563.8**	**5.4**	**569.2**
Purchase of property, plant and equipment	(1,020.7)	-	(1,020.7)	40.8	(979.9)	-	(979.9)
Net cash used in investing activities	**(955.0)**	**-**	**(955.0)**	**40.8**	**(914.2)**	**-**	**(914.2)**

Notes to the condensed consolidated financial statements

1. Segmental analysis

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

In line with the Group's structure 'One Thames' all operational functions are included in a single business unit, enabling an end-to-end view of customer journeys and integrated resource management. Certain operational costs are split by Wastewater, Water and Retail services; however, revenue and overheads are reported to the CODM at the Group level.

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

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

Segmental performance

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

For the six months ended 30 September	2025 £m	2024 £m
Management revenue	1,908.3	1,345.5
Management net operating expenses before depreciation and amortisation	(788.1)	(713.8)
Management other operating income[1]	9.9	13.0
Capital income	68.8	64.7
Management EBITDA	**1,198.9**	**709.4**
IFRS 16 adjustment[2]	4.1	2.2
Statutory reclassification of pension costs[3]	(0.6)	(0.9)
Other statutory adjustments[4]	9.1	4.4
Underlying EBITDA	**1,211.5**	**715.1**
Household BTL gross revenue[5]	58.9	54.7
Non-household BTL gross revenue[5]	12.3	12.2
BTL charge for bad and doubtful debt and expenses	(0.2)	(0.4)
Exceptional items – restructuring and transformation[6]	(57.5)	(39.5)
Exceptional items – Ofwat wastewater investigation[6]	-	(104.0)
Total EBITDA	**1,225.0**	**638.1**
Depreciation of property, plant and equipment	(363.8)	(346.8)
Depreciation of right-of-use assets	(3.9)	(3.4)
Amortisation of intangible assets	(33.4)	(35.8)
Impairment of property, plant and equipment	-	-
Total statutory operating profit	**823.9**	**252.1**
Finance income	90.7	142.7
Finance expense	(387.2)	(337.5)
Exceptional items – finance expense restructuring[6]	(37.7)	(11.1)
Exceptional items – finance expense consent fees[7]	(4.2)	-
Net (losses)/gains on financial instruments	(22.3)	115.3
Exceptional items – EIB loss on modification[7]	(16.6)	-
Exceptional items – financial instrument swap consent fees[7]	(2.2)	-
Exceptional items – expected credit losses on intercompany loan [8]	(30.5)	(310.9)
Total statutory profit/(loss) before tax	**413.9**	**(149.4)**

[1] Management other operating income includes £0.9 million loss on sale of property, plant and equipment (six months ended 30 September 2024: £1.3 million gain).
[2] Management numbers recognise the lease expense proportionally over the lease term rather than interest and depreciation as required by IFRS 16, an adjustment is done to account for leases under IFRS 16.
[3] Contributions made into the defined benefit pension schemes are recognised on an accruals basis. To ensure the accounting is in line with IAS 19, any accruals made for contributions are reversed and are recognised on a cash basis for statutory purposes.
[4] These amounts relate to insurance, provisions and other statutory adjustments not included in management numbers.
[5] The portion of BTL revenue related to our household and non-household customers.
[6] Exceptional costs include £95.2 million related to restructuring expenditure (six months ended 30 September 2024: £50.6 million) incurred due to significant restructuring of the business, of which £37.7 million (six months ended 30 September 2024: £11.1 million) is

Notes to the condensed consolidated financial statements (continued)

1. Segmental analysis (continued)

classified in finance expense that relates to debt restructuring costs. Exceptional costs for the six months ended 30 September 2024 included a £104.0 million provision related to Ofwat's regulatory investigation into our Wastewater Business and operation of sewage treatment work.

[7] Exceptional costs of £4.2 million (six months ended 30 September 2024: £nil) related to the amortisation of consent fee debt classified as finance expense; and a further £2.2 million (six months ended 30 September 2024: £nil) exceptional items related to fair value movement of consent fee derivatives. In addition to this, £16.6 million (six months ended 30 September 2024) exceptional loss was recognised related a loss on modification of the EIB loan, which was converted from RPI to floating during the period.

[8] This relates to expected credit losses on the intercompany receivables from Thames Water Utilities Holdings Limited. See note 5 for further detail.

Revenue – Management to statutory reconciliation

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

For the six months ended 30 September	2025 £m	2024 £m
Management revenue	1,908.3	1,345.5
Household BTL revenue	58.9	54.7
Non-household BTL revenue	12.3	12.2
Statutory reclassification of bad debt from operating expenditure[1]	(32.3)	(19.4)
Other statutory adjustments	4.1	-
Total statutory revenue	**1,951.3**	**1,393.0**

[1]This relates to amounts billed that are not probable of being recovered and therefore excluded from statutory revenue in line with the requirements of IFRS 15 revenue. In the current six-month period ended 30 September 2025, £32.2 million relates to management revenue (six months ended 30 September 2024: £19.3 million) and £0.1 million relates to BTL revenue (six months ended 30 September 2024: £0.1 million).

2. Revenue

For the six months ended 30 September	2025			2024		
	Underlying £m	BTL £m	Total £m	Underlying £m	BTL £m	Total £m
Gross revenue	1,912.4	71.2	1,983.6	1,345.5	66.9	1,412.4
Charge for bad and doubtful debts	(32.2)	(0.1)	(32.3)	(19.3)	(0.1)	(19.4)
Total	**1,880.2**	**71.1**	**1,951.3**	**1,326.2**	**66.8**	**1,393.0**

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

Notes to the condensed consolidated financial statements (continued)

2. Revenue (continued)

We have presented a further disaggregation of our revenue below:

Gross revenue for the six months ended 30 September	2025 £m	2024 £m
Household market:		
Water services	620.7	459.7
Wastewater services	769.9	556.1
Retail services	163.6	69.3
Total gross revenue from household market	**1,554.2**	**1,085.1**
Non-household market:		
Water services	175.4	126.3
Wastewater services	155.1	109.5
Retail services	-	0.6
Total gross revenue from non-household market	**330.5**	**236.4**
Gross revenue from principal services[1]	**1,884.7**	**1,321.5**
Other appointed revenue[2]	13.1	10.3
Total appointed revenue	**1,897.8**	**1,331.8**
Other non-appointed revenue (excluding amounts billed for the Thames Tideway Tunnel) [3]	14.6	13.7
Total gross underlying revenue	**1,912.4**	**1,345.5**
Amounts billed for the Thames Tideway Tunnel	71.2	66.9
Total gross revenue	**1,983.6**	**1,412.4**

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

All revenue is derived from activities based in the UK.

Notes to the condensed consolidated financial statements (continued)

3. Operating expenses

For the six months ended 30 September	2025 Underlying £m	2025 BTL £m	2025 Total £m	2024 Underlying £m	2024 BTL £m	2024 Total £m
Wages and salaries	232.3	-	232.3	214.8	-	214.8
Social security costs	29.6	-	29.6	23.1	-	23.1
Pension costs – defined benefit schemes	2.6	-	2.6	1.7	-	1.7
Pension costs – defined contribution schemes	18.6	-	18.6	16.6	-	16.6
Apprenticeship levy	1.6	-	1.6	1.2	-	1.2
Total employee costs	**284.7**	**-**	**284.7**	**257.4**	**-**	**257.4**
Power	102.2	-	102.2	106.3	-	106.3
Raw materials and consumables	47.6	-	47.6	43.6	-	43.6
Rates	75.6	-	75.6	74.9	-	74.9
Research and development expenditure	14.0	-	14.0	8.3	-	8.3
Insurance	31.7	-	31.7	32.9	-	32.9
Legal and professional fees	13.9	-	13.9	12.7	-	12.7
Third party costs	336.2	-	336.2	257.1	-	257.1
Own work capitalised	(190.7)	-	(190.7)	(129.0)	-	(129.0)
Net operating expenses before depreciation and amortisation	**715.2**	**-**	**715.2**	**664.2**	**-**	**664.2**
Depreciation of property, plant and equipment	363.8	-	363.8	346.8	-	346.8
Depreciation of right-of-use assets	3.9	-	3.9	3.4	-	3.4
Amortisation of intangible assets	33.4	-	33.4	35.8	-	35.8
Net operating expenses excluding exceptional costs	**1,116.3**	**-**	**1,116.3**	**1,050.2**	**-**	**1,050.2**
Exceptional costs						
Financial restructuring and transformation[1]	57.5	-	57.5	39.5	-	39.5
Ofwat wastewater investigation[1]	-	-	-	104.0	-	104.0
Net operating expenses	**1,173.8**	**-**	**1,173.8**	**1,193.7**	**-**	**1,193.7**
Expected credit losses on trade receivables and contract assets	32.2	0.1	32.3	24.6	0.3	24.9
Total operating expenses	**1,206.0**	**0.1**	**1,206.1**	**1,218.3**	**0.3**	**1,218.6**

[1] Exceptional costs reflect equity restructuring of £57.5 million (Six months ended 30 September 2024: £30.6 million), and turnaround and transformation expenditure of £nil (Six months ended 30 September 2024: £8.9 million) incurred as a result of significant restructuring of the business. These costs are considered exceptional in nature with additional significant expenditure to be incurred that is not in the ordinary course of the business. Financial restructuring and transformation costs are expected to continue over the next 12 to 18 months. Refer to material accounting policy information section on page 35 for exceptional items considerations. Exceptional costs for the six months ended 30 September 2024 included a £104.0 million provision related to Ofwat's regulatory investigation into our Wastewater Business and operation of sewage treatment work.

4. Finance income and expense and net gains on financial instruments

During the six months ended 30 September 2025, the Group recognised finance income of £90.7 million (Six months ended 30 September 2024: £142.7 million) relating mainly to interest income on swaps, intercompany loans receivable, money market fund investments and short term investments.

The Group recognised an underlying finance expense of £387.2 million (Six months ended 30 September 2024: £337.5 million) relating mainly to interest and accretion on borrowings, interest on defined benefit pension obligations and interest on leases.

The Group recognised exceptional items of £41.9 million (Six months ended 30 September 2024: £11.1 million) reflecting the following:

Notes to the condensed consolidated financial statements (continued)

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

- £4.2 million (Six months ended 30 September 2024: £nil) related to the amortisation of consent fee debt.
- £37.7 million (Six months ended 30 September 2024: £11.1 million) advisory fees, including legal and professional fees related to the debt restructuring plan.

These costs are considered exceptional in nature with additional significant expenditure to be incurred that is not in the ordinary course of the business.

For the six months ended 30 September	2025			2024		
	Underlying	Exceptional items	Total	Underlying	Exceptional Items	Total
	£m	£m	£m	£m	£m	£m
Finance income	90.7	-	90.7	142.7	-	142.7
Finance expense[1]	(387.2)	(41.9)	(429.1)	(337.5)	(11.1)	(348.6)
Net finance expense	**(296.5)**	**(41.9)**	**(338.4)**	**(194.8)**	**(11.1)**	**(205.9)**

[1] Finance expense of £429.1 million (Six months ended 30 September 2024: £348.6 million) includes the impact of a reduction in profit and loss charge as a result capitalised borrowings costs of £120.5 million (Six months ended 30 September 2024: £92.4 million).

Net (losses)/gains on financial instruments

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

For the six months ended 30 September	2025			2024		
	Underlying	Exceptional items	Total	Underlying	Exceptional Items	Total
	£m	£m	£m	£m	£m	£m
Net exchange (losses)/gains on foreign currency borrowings	(59.1)	-	(59.1)	131.0	-	131.0
Net gains/(losses) arising on swaps where hedge accounting is not applied[1,2]	36.8	(2.2)	34.6	(12.9)	-	(12.9)
Loss on loan modification[3]	-	(16.6)	(16.6)	-	-	-
Loss on cash flow hedge transferred from equity[4]	-	-	-	(2.8)	-	(2.8)
Net (losses)/gains on financial instruments	**(22.3)**	**(18.8)**	**(41.1)**	**115.3**	**-**	**115.3**

[1] Net gains arising on swaps where hedge accounting is not applied primarily reflects depreciation of GBP against EUR, and higher own credit spreads partially offset by a small appreciation of GBP against USD and JPY, and higher inflation rates. The amount includes the fair value of £193.3 million (Six months ended 30 September 2024: £154.6 million) accreted on index-linked swaps during the period.
[2] Exceptional items of £2.2 million (Six months ended 30 September 2024: £nil) relate to the fair value movement on consent fee derivatives.
[3] Exceptional items of £16.6 million (Six months ended 30 September 2024: £nil) relate to a loss on modification of a loan, which was converted from RPI to floating during the period.
[4] Refer to note 13 Fair value of financial instruments for more information on the loss on cash flow hedge transferred from equity.

5. Expected credit losses on intercompany loan

For the six months ended 30 September	2025	2024
	£m	£m
Expected credit loss on loan receivable from Thames Water Utilities Holdings Limited	30.5	310.9
Total	**30.5**	**310.9**

The Group has intercompany loans receivable due from Thames Water Utilities Holdings Limited, totalling £1,249.1 million (31 March 2025: £1,249.1 million) in principal, together with accrued interest of £170.9 million (31 March 2025: £140.4 million). As a result of the IFRS 9 assessment on the intercompany loans performed in the period, an expected credit loss of £30.5 million (Six months ended 30 September 2024: £310.9 million) has been recognised in the Income Statement. This is shown as an exceptional item, due to its size and as these losses are not as a result of the ordinary course of business. The expected credit loss has been recognised following an analysis of the loans receivable recovery in line with IFRS 9. Refer to note 9 for further details of the expected credit loss on the intercompany loans and interest receivable.

Notes to the condensed consolidated financial statements (continued)

6. Taxation

For the six months ended 30 September	2025				2024			
	Underlying	Exceptional items	BTL	Total	Underlying	Exceptional Items	BTL	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Current tax:								
Amounts payable/ (receivable) in respect of group relief [1]	-	-	-	-	58.0	(38.7)	16.7	36.0
Adjustments in respect of prior periods	-	-	-	-	(4.9)	-	-	(4.9)
	-	-	-	-	53.1	(38.7)	16.7	31.1
Deferred tax:								
Origination and reversal of timing differences	86.2	-	-	86.2	4.3	-	-	4.3
Adjustment in respect of prior periods	-	-	-	-	4.9	-	-	4.9
	86.2	-	-	86.2	9.2	-	-	9.2
Tax charge/(credit) on profit/(loss) on ordinary activities	86.2	-	-	86.2	62.3	(38.7)	16.7	40.3

[1] The Group has net taxable profits for the six months to 30 September 2025 which will be covered by group relief bought from a group company for which payment will no longer be made.(2024: £36.0m)

The corporation tax charge is based upon the standard rate of corporation tax in the UK of 25% (six-month period ended 30 September 2024: 25%). The interim corporation tax charge for the six-month period ended 30 September 2025 is based on the forecast effective tax rate for the full year to 31 March 2026 applied to the profits earned in the six months to 30 September 2025.

The Group is not currently in a cash tax paying position with HMRC, primarily due to capital allowances on capital expenditure, tax deductions for borrowing costs and group relief (which has arisen on interest expenses in holding companies). The group no longer pays for group relief.

The tax charge for the six-month period ended 30 September 2025 is a lower charge than the standard rate of corporation tax in the UK. The differences between profit on ordinary activities before taxation at the standard corporation tax rate and the total tax charge for the period are caused by disallowable costs less non-taxable income.

Tax losses arising in the underlying business are used to cover taxable profits arising from the arrangement with BTL. Therefore there is no external cash tax impact.

7. Dividends

During the six months ended 30 September 2025, the Company paid no dividends (year ended 31 March 2025: £nil: six months ended 30 September 2024: £nil) to its immediate parent Thames Water Utilities Holdings Limited (TWUHL).

The aggregate amount of dividends proposed but not paid nor recognised as liabilities at the period end is £nil (31 March 2025: £nil).

Notes to the condensed consolidated financial statements (continued)

8. Property, plant and equipment

	Total £m
Cost:	
At 1 April 2024	25,768.8
Additions	2,180.8
Transfers between intangibles assets and property, plant and equipment	(0.2)
Disposals	(143.7)
At 31 March 2025	27,805.7
Additions	1,235.0
Disposals	(4.1)
At 30 September 2025	29,036.6
Accumulated Depreciation:	
At 1 April 2024	(6,397.0)
Depreciation charge	(703.1)
Transfers between intangible assets and property, plant and equipment	0.1
Impairment reversal	2.9
Disposals	127.6
At 31 March 2025	(6,969.5)
Depreciation charge	(363.8)
Disposals	2.9
At 30 September 2025	(7,330.4)
Net book value at 31 March 2025	20,836.2
Net book value at 30 September 2025	21,706.2

9. Intercompany loans receivable

Intercompany loans receivable are amounts owing outside of this consolidation group and relate to intercompany amounts within the wider Thames Water Utilities Holdings Group.

As at	30 September 2025 £m	31 March 2025 £m
Amounts owed by group undertakings:		
Thames Water Utilities Holdings Limited	1,249.1	1,249.1
Interest receivable on amounts owed by group undertakings:		
Thames Water Utilities Holdings Limited	170.9	140.4
Expected credit loss on amounts owed by group undertakings:		
Provision for expected credit losses	(1,420.0)	(1,389.5)
Total	-	-

Intercompany loans receivable due to the Group include the following:

- £735.7 million (31 March 2025: £735.7 million) owed by Thames Water Utilities Holdings Limited (TWUHL), the Company's immediate parent), the loan is unsecured and interest is charged at a rate of SONIA + 0.6266% (31 March 2025: SONIA + 0.6266%). The loan was originally repayable on 30 August 2037, but on the 25 February 2025 had its maturity extended to 30 August 2039 as part of the court approved restructuring process. In the event the Group's Class A and Class B debt obtains two investment grade ratings, amongst other requirements, the maturity date will revert to the original maturity date.

Notes to the condensed consolidated financial statements (continued)

9. Intercompany loans receivable (continued)

- £513.4 million (31 March 2025: £513.4 million) owed by TWUHL, is unsecured and interest is charged at a rate of SONIA + 0.6266% (31 March 2025: SONIA + 0.6266%). On 25 February 2025 its terms changed such that it is no longer repayable on demand so long as the Group remains in the stable platform period, which commenced on 25 February 2025 and will apply until the next senior debt maturity date (currently 22 March 2027).

During the six months ended 30 September 2025, the Group accrued £30.5 million of interest income related to the intercompany loans (six months ended 30 September 2024: £36.5 million). As at 30 September 2025, £170.9 million interest receivable is outstanding from TWUHL (31 March 2025: £140.4 million) relating to the intercompany loans.

Refer to the accounting judgement – provision for expected credit losses in the material accounting policy information section for further details on the provision for expected credit loss.

10. Trade and other receivables

Non-current

As at	30 September 2025			31 March 2025		
	Underlying	BTL	Total	Underlying	BTL	Total
	£m	£m	£m	£m	£m	£m
Prepayments	-	685.8	685.8	-	623.9	623.9
Insurance claims receivable	36.5	-	36.5	42.6	-	42.6
Other receivables	12.6	-	12.6	2.5	-	2.5
Total[1]	**49.1**	**685.8**	**734.9**	**45.1**	**623.9**	**669.0**

Current

As at	30 September 2025			31 March 2025		
	Underlying	BTL	Total	Underlying	BTL	Total
	£m	£m	£m	£m	£m	£m
Gross trade receivables[1]	1,086.5	50.6	1,137.1	551.0	29.2	580.2
Less expected credit losses provision	(168.8)	(5.4)	(174.2)	(171.9)	(5.2)	(177.1)
Net trade receivables[2]	**917.7**	**45.2**	**962.9**	**379.1**	**24.0**	**403.1**
Contract assets	453.8	10.2	464.0	337.9	6.3	344.2
Prepayments	81.6	-	81.6	58.0	-	58.0
Other receivables	62.6	-	62.6	45.0	-	45.0
Insurance claims receivable	8.4	-	8.4	9.8	-	9.8
Amounts owed by group undertakings	0.4	-	0.4	0.1	-	0.1
Total	**1,524.5**	**55.4**	**1,579.9**	**829.9**	**30.3**	**860.2**

[1] This includes an amount representing billed items where collection is not probable at the point of delivery, this value is disclosed within the CFO Report and note 2.

[2] The TWUL billing cycle means that the timing of bills for unmeasured customers results in a large increase in the net trade receivables balance of £559.8 million to £962.9 million (31 March 2025: £403.1 million; six months ended 30 September 2024 £809.9 million). This balance will reduce over the second half of the year.

Net contract assets at 30 September 2025 include £334.1 million (31 March 2025: £259.8 million) of unbilled services provided to metered household customers. Included within this amount is £7.9 million of bad debt provision (31 March 2025: £4.3 million). The remaining amount is for accrued non-household income, accrued capital contributions and accrued income from the BTL arrangement.

Notes to the condensed consolidated financial statements (continued)

11. Contract liabilities

The TWUL billing cycle means that the timing of bills for unmeasured customers results in a large increase in the deferred income at the interim balance sheet date, being the primary driver for the increase in current contract liabilities of £509.9 million to £679.7 million (31 March 2025: £169.8 million). This balance will reduce over the second half of the year. Additionally, within this balance there is a decrease in receipts in advance from customers for water and wastewater charges of £45.4 million to £29.4 million (31 March 2025: £74.8 million).

Non-current contract liabilities have increased by £91.1 million to £1,250.5 million (31 March 2025: £1,159.4 million). The main driver is an increase in nil cost adopted assets and infrastructure charges received in the year.

12. Borrowings

As at	30 September 2025	31 March 2025
	£m	£m
Secured bank loans and private placements	5,635.4	5,548.0
Bonds	12,546.7	11,103.9
	18,182.1	**16,651.9**
Interest payable on borrowings	257.8	324.1
Total	**18,439.9**	**16,976.0**
Disclosed within non-current liabilities	18,182.1	16,651.9
Disclosed within current liabilities	257.8	324.1
Total	**18,439.9**	**16,976.0**

During the six months ended 30 September 2025 the Group drew down a principal of £1,426.5 million debt, net of fees £1,331.4 million, under TWSSI's £1.5 billion super senior facility (Six months ended 30 September 2024: £nil million), and £nil class A revolving credit facilities and loan facilities (Six months ended 30 September 2024: £1,170.8 million). During the six months ended 30 September 2025 the Group repaid £nil million debt (Six months ended 30 September 2024: £632.4 million).

The Company, its wholly owned financing subsidiary TWUF and its immediate parent, Thames Water Utilities Holdings Limited (TWUHL) are the Obligors within a whole business securitisation (WBS) group. Secured bank loans, private placements and bonds are in an arrangement whereby each Obligor (representing each of the companies within the WBS group) has entered into a Security Trust and Intercompany Deed (STID) with the Security Trustee.

Pursuant to this arrangement, TWUHL guaranteed the obligations of each other Obligor under the finance agreements. Additionally, the Company, and TWUF, have guaranteed the obligations of each other under the finance agreements, in each case to the Security Trustee.

TWUL and TWUHL also guarantee TWSSI's £1,426.5 million of gross debt. TWUHL and TWUF are guarantors of TWUL's £872.0 million intercompany loan from TWSSI.

Following the transition to IFRS 17, the Group made the election to apply the requirements in IAS 32 'Financial Instruments: Presentation', IFRS 7 'Financial Instruments: Disclosures' and IFRS 9 'Financial Instruments' to these financial guarantee contracts.

Notes to the condensed consolidated financial statements (continued)

12. Borrowings (continued)

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

As at	30 September 2025 £m	31 March 2025 £m
Secured bank loans and private placements	(5,635.4)	(5,548.0)
Bonds	(12,546.7)	(11,103.9)
Lease liability	(51.0)	(53.2)
Bank overdraft[1]	(5.7)	(71.2)
Interest payable on borrowings	(257.8)	(324.1)
	(18,496.6)	**(17,100.4)**
Cash and cash equivalents	869.7	306.4
Net debt (statutory basis)	**(17,626.9)**	**(16,794.0)**
Reconciliation to net debt (covenant basis):		
Interest payable on borrowings	257.8	324.1
Unamortised debt issuance costs and discount	(165.3)	(86.7)
Relevant derivative financial liabilities (Accretion and FX)	(1,288.0)	(1,163.8)
Unamortised IFRS 9 transition adjustment	21.5	21.8
Unamortised IFRS 9 fair value adjustment[2]	5.6	(21.7)
Bank overdraft not relevant for covenant	5.7	71.2
Cash not relevant for covenant	(547.2)	(75.5)
Net debt (covenant basis)	**(19,336.8)**	**(17,724.6)**
Equity attributable to owners of the Group	**590.0**	**283.3**

[1] Bank overdraft largely includes the impact of a committed BACs run. This presentation follows our accounting policy, whereby committed payments are accounted for on the date of payment instruction, which may be in advance of the cash settlement. £3.7 million of cash held in a pre-funding account was sufficient to cover the BACs outflows on the settlement date post 30 September 2025

[2] Unamortised IFRS 9 fair value adjustments have been made to the accounting book value of (i) two RPI-linked loans which were amended and extended in October 2023; (i) one loan converted from RPI-linked to floating rate in May 2025; (iii) consent fee debt issued in March 2025

Net debt (covenant basis) excludes accrued interest, amounts owed to group undertakings, unamortised debt issuance costs and discounts, unamortised IFRS 9 adjustments; and includes relevant derivative financial liabilities related solely to accretion on index-linked swaps and the effect of movement in foreign exchange rates on cross currency swaps held in the Group and removes cash not relevant for covenant (which is based on cash and investments excluding cash held by TWSSI, whilst the accounting definition adjusts for other items).

13. Fair value of financial instruments

Categories of financial instruments

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

Financial assets:

As at	30 September 2025 £m	31 March 2025 £m
Fair value through profit and loss:		
Cross currency swaps	110.1	55.9
Interest rate swaps	175.9	211.2
Index-linked swaps	30.4	33.0
Cash and cash equivalents – money market funds	848.3	147.7
	1,164.7	**447.8**
Amortised cost:		
Trade and other receivables (excluding non-financial assets)	995.7	408.9
Cash and cash equivalents – short term investments	10.8	79.7
Cash and cash equivalents – cash at bank and in hand	10.1	79.0
	1,016.6	**567.6**
Total	**2,181.3**	**1,015.4**

Notes to the condensed consolidated financial statements (continued)

13. Fair value of financial instruments (continued)

Financial liabilities:

As at	30 September 2025 £m	31 March 2025 £m
Fair value through profit and loss:		
Cross currency swaps	(105.8)	(120.0)
Interest rate swaps	(210.1)	(248.6)
Index-linked swaps	(1,277.0)	(1,257.2)
Consent fee derivatives[1]	(73.4)	(92.5)
	(1,666.3)	**(1,718.3)**
Amortised cost:		
Trade and other payables (excluding non-financial liabilities)	(977.2)	(1,005.0)
Borrowings	(18,439.9)	(16,976.0)
Lease liabilities	(51.0)	(53.2)
Bank overdraft[2]	(5.7)	(71.2)
	(19,473.8)	**(18,105.4)**
Total	**(21,140.1)**	**(19,823.7)**

[1] Consent fee derivatives were entered into as part of the restructuring in order to obtain consent from interest rate and index-linked swap counterparties for the insertion of the super senior facility and extension of the debt and are integral to the related interest rate and index-linked swaps. The fees are considered integral to the original swap as the cashflows depend on their market value. Therefore, the swap fees and original swap are a single unit of account. These have been presented separately to reflect the impact of the restructuring.
[2] Bank overdraft largely reflects the impact of a committed BACs run. This presentation follows our accounting policy, whereby committed payments are accounted for on the date the payment instruction is committed, which may be in advance of the cash settlement. £3.7 million of cash held in a pre-funding account was sufficient to cover the BACs outflows on the settlement date post 30 September 2025.

Fair value measurements

Refer to significant accounting judgements and key sources of estimation uncertainty on pages 35 to 39 for details of the fair value measurements methodology and the classification of all derivative instruments as Level 3 for the Group.

The table below sets out the valuation basis of financial instruments (excluding cash and cash equivalents – money market funds which are classified as Level 1) held at fair value through profit or loss as at 30 September 2025:

Notes to the condensed consolidated financial statements (continued)

13. Fair value of financial instruments (continued)

As at	Level 3[1, 2] 30 September 2025 £m	31 March 2025 £m
Financial assets – derivative financial instruments		
Cross currency swaps	110.1	55.9
Interest rate swaps	175.9	211.2
Index-linked swaps	30.4	33.0
	316.4	300.1
Financial liabilities – derivative financial instruments		
Cross currency swaps	(105.8)	(120.0)
Interest rate swaps	(210.1)	(248.6)
Index-linked swaps	(1,277.0)	(1,257.2)
Consent fee derivatives	(73.4)	(92.5)
	(1,666.3)	(1,718.3)
Net total	(1,349.9)	(1,418.2)

[1] The fair values of derivative financial instruments, including interest rate swaps, cross currency swaps and index-linked swaps are measured by analysing future cash flows of all of the transactions within each netting set. The future cash flows are estimated based on observable forward interest rates and inflation rates, and future fair values are estimated under a wide range of market scenarios and valued taking into account the credit risk of the Group and counterparties.
[2] Cross currency swaps, interest rate swaps and index linked swaps are Level 3 (31 March 2025: Level 3). Consent fee derivatives were issued in the prior year as part of the financial restructuring; these are considered integral to the original swap as the cashflows depend on their market to market value. Therefore the swap fees and original swap are a single unit of account and also Level 3. These have been presented separately to reflect the impact of the restructuring.

During the six months ended 30 September 2025, £nil million (six months ended 30 September 2024: £2.8 million) was recycled from the cash flow hedge reserve to the income statement, see Condensed consolidated statement of changes in equity on page 25. The amounts recognised on cash flow hedge reserve were recycled to income statement as a phased release over the relevant hedging period and where the related debt has been issued and has not matured.

Notes to the condensed consolidated financial statements (continued)

13. Fair value of financial instruments (continued)

Comparison of fair value of financial instruments with their carrying amounts

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

Financial assets:

As at	30 September 2025		31 March 2025	
	Book value	Fair value	Book value	Fair value
	£m	£m	£m	£m
Non-current:				
Intercompany loans receivable[1]	-	-	-	-
Derivative financial instruments				
Cross currency swaps	110.1	110.1	55.9	55.9
Interest rate swaps	175.9	175.9	211.2	211.2
Index-linked swaps	30.4	30.4	33.0	33.0
Other receivables (excluding non-financial assets)	12.6	12.6	2.5	2.5
	329.0	**329.0**	**302.6**	**302.6**
Current:				
Cash and cash equivalents	869.2	869.2	306.4	306.4
Trade and other receivables (excluding non-financial assets)	983.1	983.1	406.4	406.4
	1,852.3	**1,852.3**	**712.8**	**712.8**
Total	**2,181.3**	**2,181.3**	**1,015.4**	**1,015.4**

[1] Intercompany loans receivable includes two floating rate loans and related interest. The fair value of the entire balance is valued in line with Class B bond trading level as there is no other indicator. This is a level 3 fair value as there are no observable inputs for the relevant credit risk.

Notes to the condensed consolidated financial statements (continued)

13. Fair value of financial instruments (continued)

Financial liabilities:

As at	30 September 2025		31 March 2025	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Non-current				
Borrowings				
Secured bank loans and private placements	(5,635.4)	(3,525.0)	(5,548.0)	(3,751.4)
Bonds	(12,546.7)	(9,122.7)	(11,103.9)	(7,776.0)
Derivative financial instruments				
Cross currency swaps	(38.7)	(38.7)	(62.8)	(62.8)
Interest rate swaps	(210.1)	(210.1)	(248.6)	(248.6)
Index-linked swaps	(1,267.4)	(1,267.4)	(1,248.2)	(1,248.2)
Consent fee derivatives	(73.4)	(73.4)	(92.5)	(92.5)
Lease liabilities	(43.9)	(43.9)	(46.7)	(46.7)
	(19,815.6)	(14,281.2)	(18,350.7)	(13,226.2)
Current				
Borrowings				
Secured bank loans and private placements	-	-	-	-
Bonds	-	-	-	-
Interest payable	(257.8)	(257.8)	(324.1)	(324.1)
Derivative financial instruments				
Cross currency swaps	(67.1)	(67.1)	(57.2)	(57.2)
Index linked swaps	(9.6)	(9.6)	(9.0)	(9.0)
Trade and other payables (excluding non-financial liabilities)	(977.2)	(977.2)	(1,005.0)	(1,005.0)
Lease liabilities	(7.1)	(7.1)	(6.5)	(6.5)
Bank overdraft[1]	(5.7)	(5.7)	(71.2)	(71.2)
	(1,324.5)	(1,324.5)	**(1,473.0)**	**(1,473.0)**
Total	(21,140.1)	(15,605.7)	**(19,823.7)**	**(14,699.2)**

[1] Bank overdraft as at 30 September 2025 largely reflects the impact of a committed BACs run, where payment initiation happened before 30 September, but cash settlement happened after. £3.7 million of cash held in a pre-funding account was sufficient to cover the BACs outflows on the settlement date post 30 September 2025. This presentation follows our accounting policy, whereby committed payments are accounted for on the date the payment instruction is committed, which may be in advance of the cash settlement.

The fair value of borrowings represents the market value, and for the publicly traded liquid bonds the price is observable (level 1 inputs to valuation technique). For all other debt instruments the fair value is based on the outstanding nominal value (including accrued accretion for index-linked debt instruments) to which the weighted average price of publicly traded liquid bonds of the same ranking (Class A or Class B) is applied. Foreign currency values are translated at the spot rate. Accrued interest is then added. Intercompany loans receivable includes two floating rate loans and related interest. The fair value of the entire balance is valued in line with Class B bond trading level as there is no other indicator. This is a level 3 fair value as there are no observable inputs for the relevant credit risk. Note that management's expected credit loss analysis under IFRS 9 methodology results in a similar expected credit loss on the intercompany loan assets than is implied by market fair valuations of holding company debt. Traded bond prices are not necessarily reliable indicators of a final outcome, given bond prices are inherently speculative, reflect credit risk and are not necessarily indicative of fundamental value during periods of financial uncertainty.

Notes to the condensed consolidated financial statements (continued)

13. Fair value of financial instruments (continued)

IBOR reform

The following table contains details of all of the financial instruments that the Group holds at 30 September 2025 and 31 March 2025 which contain references to GBP LIBOR and have not yet transitioned to SONIA or an alternative interest rate benchmark:

	Carrying Value at 30 September 2025		Of which: Have yet to transition to an alternative benchmark interest rate as at 30 September 2025	
	Assets	Liabilities	Assets	Liabilities
	£m	£m	£m	£m
Assets and liabilities exposed to GBP LIBOR				
Fair value through profit or loss				
Derivative financial instruments				
Index-linked swaps[1]	-	(60.9)	-	(60.9)
Total assets and liabilities exposed to GBP LIBOR	-	(60.9)	-	(60.9)

[1] Consists of £60.9 million index-linked swaps (in a fair value liability position) where the interest rate is not directly linked to LIBOR, however have LIBOR references in the documentation. On 17 October 2025 the agreement with Aviva was updated to reference SONIA, leaving one remaining agreement to transition to alternative benchmark interest rates.

	Carrying Value at 31 March 2025		Of which: Have yet to transition to an alternative benchmark interest rate as at 31 March 2025	
	Assets	Liabilities	Assets	Liabilities
	£m	£m	£m	£m
Assets and liabilities exposed to GBP LIBOR				
Fair value through profit or loss				
Derivative financial instruments				
Index-linked swaps[1]	-	(69.3)	-	(69.3)
Total assets and liabilities exposed to GBP LIBOR	-	(69.3)	-	(69.3)

[1] Consists of £69.3 million index-linked swaps (in a fair value liability position) where the interest rate is not directly linked to LIBOR, however have LIBOR references in the documentation.

Notes to the condensed consolidated financial statements (continued)

14. Retirement benefit obligations

Background

The Group operates two defined benefit pension schemes and one defined contribution pension scheme. The Group note that they have a small number of members and are a participating employer within the Merchant Navy Officers Pension Fund, an industry scheme, however this is considered immaterial for disclosure within these accounts.

	What are they?	How do they impact the financial statements?
Defined Contribution Scheme This scheme was set up in April 2011 and was managed through Standard Life. From October 2020, this is now managed through Aon MasterTrust. This scheme is open to all employees of the Company that are not members of the defined benefit pension schemes.	In a defined contribution pension scheme, the benefits are linked to: • contributions paid; • the performance of the individual's chosen investments; and • the form of benefits.	A charge of £18.6 million (six months ended 30 September 2024: £16.6 million) was recognised in the income statement relating to the contributions payable by the Group based upon a fixed percentage of employees' pay. There were £5.3 million outstanding contributions as at 30 September 2025 (31 March 2025: £4.8 million) recognised in the statement of financial position. The Group has no exposure to investment or other experience risks.
Defined Benefit Schemes Company's eligible employees are provided through two defined benefit pension schemes: • Thames Water Pension Scheme (TWPS); and • Thames Water Mirror Image Pension Scheme (TWMIPS). Both now are career average pension schemes. Their assets are held separately from the rest of the Kemble Water Holdings Limited Group in funds in the United Kingdom which are independently administered by the pension trustees. TWMIPS has been closed to new entrants since 1989 and TWPS since April 2011. Both schemes are closed to new employees. TWPS was closed to future accrual as at 31 March 2021.	In a defined benefit pension scheme the benefits: • are defined by the scheme rules; • depend on a number of factors including age, years of service and pensionable pay; and • do not depend on contributions made by the members or the Company	A charge was recognised in the income statement of £3.6 million (six months ended 30 September 2024: £4.4 million) relating to the following: • service cost representing the increase in the defined benefit liability arising from pension benefits earned by active members in the current period; • administrative expenses for the pension schemes; and • the net interest expense on pension scheme assets and liabilities An actuarial loss of £28.0 million (six months ended 30 September 2024: gain of £16.8 million) on the value of the pension scheme was recognised in the statement of other comprehensive income. This reflects the impact of changes in financial assumptions and the demographic of the scheme members when compared with those at the start of the year, as well as the return on the schemes' assets over and above the amount included in the net interest expense. A pension surplus of £28.4 million (31 March 2025: £25.9 million surplus) is recognised in the statement of financial position for the TWMIPS. A pension deficit of £75.5 million (31 March 2025: £112.1 million) is recognised in the statement of financial position for the TWPS. As at 30 September 2025, the net pension deficit is £47.1 million (31 March 2025: £86.2 million). Company contributions of £70.7 million (six months 30 September 2024: £20.8 million) were made during the six months ended 30 September 2025. The Group is exposed to investment and other experience risks. Where it is estimated that the benefits will not be met by regular contributions, assets held or expected investment income, additional contributions are being made by the Group.

Notes to the condensed consolidated financial statements (continued)

14. Retirement benefit obligations (continued)

In addition to the cost of the defined benefit pension arrangements, the Group operates arrangements under which it augments benefits on retirement in certain cases of redundancy. These augmentations are funded by way of additional employer contributions to the schemes. In the six months ended 30 September 2025 these related payments amounted to £nil (Six months ended 30 September 2024: £nil).

The defined benefit pension schemes are subject to a full actuarial valuation every three years using assumptions agreed between the trustees of the pension schemes and the Group. The purpose of this triennial valuation is to evaluate and, if necessary, modify the funding plans of the pension schemes so that the schemes have sufficient funds to meet future benefit payments. The most recent triennial valuation as at 31 March 2022 for TWMIPS and TWPS was signed off by the scheme actuary Aon in March and August 2024 respectively, with the combined market value of the assets being £2,338.3 million and a funding deficit of £475.3 million. The triennial valuation as at 31 March 2025 for TWMIPS and TWPS is currently ongoing.

This triennial funding valuation is different from the accounting valuation presented in the financial statements due to the use of different assumptions and changes in market conditions from 31 March 2022 to 30 September 2025. The 2022 funding valuation had been updated to an accounting valuation as at 30 September 2025 by Hymans Robertson LLP, an independent and professionally qualified consulting actuary, using revised assumptions that are consistent with the requirements of IAS 19 Employee Benefits and shown in this note to the financial statements.

The Group acknowledges that the government intend to introduce legislation allowing retrospective approval of amendments as a result of the recent Virgin Media case, and hence the Group current expect no impact to their current position regarding this. The trustees have performed triage on TWMIPS to date but has yet to conduct the triage for TWPS in relation to this case and await the legal remedy being put in place by the government.

IAS 19 Assumptions

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

	Approach to set the assumptions
Discount rate	As per IAS 19, the discount rate is determined using the market yields on high quality corporate bonds as at the reporting date with the currency and term of these bonds being consistent with the currency and term of the pension liabilities. The TWPS and TWMIPS discount rate is calculated by applying the projected cash flows of these schemes to an AA-corporate bond yield curve as at 30 September 2025.
RPI inflation	The RPI inflation assumption uses the inflation curve weighted by projected future cash flows of TWPS and TWMIPS with an adjustment made for an inflation risk premium.
CPI inflation	This CPI inflation assumption is taken at a margin below RPI factoring in market forces and third party estimates of the difference expected.
Salary increases	Both defined benefit schemes provide benefits on a Career Average (CARE) benefit structure whereby past entitlements are linked to movements in CPI therefore an assumption for increase in salary is not required.
Pension increases	It is assumed that benefits will increase in line with the RPI and CPI inflation assumptions detailed above, based on the appropriate index for increasing benefits.
Longevity	The mortality assumptions are based on standard mortality tables and the actual mortality experience of members within the schemes. The assumptions also allow for future improvements to mortality rates.

Notes to the condensed consolidated financial statements (continued)

14. Retirement benefit obligations (continued)

Financial assumptions

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

	30 September 2025		31 March 2025	
	TWPS	TWMIPS	TWPS	TWMIPS
Price inflation – RPI	3.00%	3.00%	3.10%	3.20%
Price inflation – CPI	2.60%	2.55%	2.70%	2.70%
Rate of increase to pensions in payment – RPI	3.00%	3.00%	3.10%	3.20%
Discount rate	5.85%	5.70%	5.80%	5.70%

Mortality assumptions

The mortality assumptions were based on the post retirement mortality assumptions used for the previous financial year, but updated for the latest CMI 2023 model. The table below illustrates the life expectancies of an average member retiring at age 60 at the period-end reporting date and a member reaching age 60 at the period-end reporting date in 20 years.

	30 September 2025		31 March 2025	
	TWPS Years	TWMIPS Years	TWPS Years	TWMIPS Years
Life expectancy from age 60:				
Male	27.0	26.0	26.7	25.7
Female	29.3	28.4	29.3	28.4
Life expectancy from age 60 currently aged 40:				
Male	27.9	27.2	27.7	27.0
Female	30.3	30.0	30.3	30.0

Actuarial risk factors

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

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

Notes to the condensed consolidated financial statements (continued)

14. Retirement benefit obligations (continued)

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

	30 September 2025		31 March 2025	
	TWPS £m	TWMIPS £m	TWPS £m	TWMIPS £m
Changes in assumptions resulting in a (decrease)/increase in liabilities				
Change in discount rate (+ 1% p.a.)	(140.0)	(40.0)	(140.0)	(40.0)
Change in rate of inflation (- 1% p.a.)	(80.0)	(25.0)	(80.0)	(25.0)
Change in life expectancy (+ 1 year)	40.0	15.0	40.0	15.0

15. Capital commitments

As at	30 September 2025 £m	31 March 2025 £m
Property, plant and equipment	1,010.0	822.0
Intangible assets	16.0	13.0
Total contracted for but not provided	**1,026.0**	**835.0**

The Group has long-term capital investment plans, under its business plan submitted to Ofwat, to provide for future growth and maintenance of the infrastructure network. Capital commitments represent the value of orders committed to with our supply chain. Capital commitments have increased during the year due to a significant number of projects initiated in FY2025/26, coinciding with the start of Asset Management Period 8 (runs from 1 April 2025 to 31 March 2030).

16. Provisions for liabilities and charges

	Insured liabilities £m	Capital infrastructure provision £m	Dilapidations £m	Environmental, legal, and other regulatory provisions £m	Other provisions £m	Total £m
At 1 April 2024	110.0	19.6	10.5	94.5	40.1	274.7
Reclass between categories	-	16.9	-	-	(16.9)	-
Utilised during the period	(20.6)	(8.2)	-	(1.6)	(9.7)	(40.1)
Additional provisions recognised	44.8	24.7	0.3	181.7	32.7	284.2
Unused amounts reversed	-	(1.8)	-	(13.7)	(5.9)	(21.4)
At 31 March 2025	134.2	51.2	10.8	260.9	40.3	497.4
Utilised during the period	(12.0)	(10.7)	-	(24.5)	(15.9)	(63.1)
Additional provisions recognised	10.6	3.1	0.1	9.9	9.2	32.9
Unused amounts reversed	-	(0.7)	-	(1.3)	(0.4)	(2.4)
At 30 September 2025	**132.8**	**42.9**	**10.9**	**245.0**	**33.2**	464.8

	Insured liabilities £m	Capital infrastructure provision £m	Dilapidations £m	Environmental, legal, and other regulatory provisions £m	Other provisions £m	Total £m
Disclosed within non-current liabilities	107.9	19.1	7.9	147.3	8.4	290.6
Disclosed within current liabilities	24.9	23.8	3.0	97.7	24.8	174.2
Total at 30 September 2025	132.8	42.9	10.9	245.0	33.2	464.8

Total provisions have decreased by £32.6 million to £464.8 million as at 30 September 2025. This includes a provision of £83.1 million related to Ofwat's investigation into non-compliance of our sewage treatment works, and a provision of £14.6 million related to Ofwat's investigation into dividends paid in FY24. These values recognised are 80% of the total financial penalty levied by Ofwat. 20% was paid in September 2025 in line with the published payment plan. This is

Notes to the condensed consolidated financial statements (continued)

16. Provisions for liabilities and charges (continued)

deemed an exceptional cost in line with our accounting policy. The amount is classified as current based on the expectation of the payment of the remaining 80%.

17. Contingent liabilities

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

1. Environment Agency Wastewater regulatory investigation

   The Company is subject to an ongoing investigation by the Environment Agency under the Environmental Permitting (England and Wales) Regulations 2016 into compliance with storm sewerage discharges in line with environmental permits. The Company is providing information requested by the Environment Agency to support with this ongoing investigation. The potential penalty for an environmental offence is a criminal conviction and an unlimited fine (in accordance with the Environmental Offences Sentencing Guidelines). The outcome of the investigation and the existence of any potential future financial obligations, or other consequences, cannot be reliably determined at this time.

2. Collective proceeding in the Competition Appeal Tribunal

   The Group is subject to a collective proceedings claim in the Competition Appeal Tribunal (CAT) alleging a breach of competition law in relation to the historic reporting of pollution incidents. The estimated quantum of damages provided by the class representative is £159 million (the Household Claim). This is an industry-wide issue and five other water companies have had similar claims made against them. The certification hearing took place in September 2024 and judgement was handed down on 7 March 2025. The CAT determined that the class representative's claims are excluded by section 18(8) of the Water Industry Act 1991 and has dismissed the claim. On 28 March 2025, the class representative sought permission to appeal the CAT's judgement. The application for permission to appeal was refused by the CAT on 20 May 2025. The Proposed Class Representative (PCR) subsequently applied, on 4 June 2025, to the Court of Appeal for permission to appeal. On 26 June 2025, the Court of Appeal granted the PCR permission to appeal the judgement. The hearing of the appeal has been listed to take place on 11 and 12 February 2026. As the claim is still at a very early stage, it is not possible to determine merits or whether this would likely have any effect on the financial position of the Group.

   The following matter is not deemed to meet the criteria for recognising a provision or a contingent liability. On 20 December 2024 (before the certification judgement in the Household Claim had been handed down), the class representative wrote to TWUL and Kemble Water Holdings Limited (KWHL), indicating that it would seek to bring a similar, additional claim on behalf of non-household customers (the Non-Household Claim). The Non Household Claim adopts a very similar theory of harm as the Household Claim. The class representative estimates that the claim value of the Non-Household Claim is between £44 million – £56 million (including interest). It is not yet known whether, in light of the Tribunal's judgement in the Household Claim, the class representative will proceed with the Non-Household Claim. As a Non-Household Claim has not been issued or served the likelihood of economic outflow related to this matter is deemed remote.

3. Water Industry National Environment Programme (WINEP) - EA

   The Company has not completed all WINEP 7 schemes during the course of AMP7 as required. This means that new environmental permits have come into effect before the works necessary to achieve compliance with those new environmental permits have been carried out. Delayed WINEP 7 sites are at risk of operating without the conditions of their environmental permits. Operating in breach of an environmental permit is a criminal offence. The potential penalty is a criminal conviction and an unlimited fine (in accordance with the Environmental Offences Sentencing Guidelines). The Environment Agency is aware of all delayed WINEP 7 schemes but has not, to date, taken formal enforcement action. This is not to be taken as an indication that it won't take action. The risks and consequences of formal enforcement action cannot be reliably determined at this time. Consequently, the outcome of this matter and the existence of any possible future financial consequences are not yet conclusive.

Notes to the condensed consolidated financial statements (continued)

17. Contingent liabilities (continued)

4. WINEP - Ofwat

Ofwat issued TWUL with a notice under section 203 of the Water Industry Act 1991 (WIA91) on 11 February 2025, requesting the production of documents and information in relation to potential delays in TWUL's delivery of the AMP7 WINEP schemes by the original PR19 delivery date and the potential effects this may have on the delivery of the AMP8 WINEP schemes. Ofwat is concerned that TWUL may have breached Condition P of its licence, in addition to Section 94 of the WIA91 and Regulations 4 and 5 of the Urban Waste Water Treatment (England & Wales) Regulations 1994. TWUL responded to the notice on 14 March 2025 and is currently awaiting a response from Ofwat. The risks and consequences of formal enforcement action cannot be reliably determined at this time. Consequently, the outcome of this matter and the existence of any possible future financial consequences of the investigation is not yet conclusive. Ofwat's regulatory enforcement powers include the potential imposition of an enforcement order, the acceptance of enforceable undertakings and/or the imposition of a financial penalty on the company of up to 10% of annual turnover of the relevant regulated business.

5. Industrial Emissions Directive (IED)

The Company has not completed the works necessary to comply with the IED by the end of AMP7 as required. This means that new environmental permits have or are due to come into effect before the works necessary to achieve compliance with those new environmental permits have been carried out. IED sites are at risk of operating outwith the conditions of their environmental permits. Operating in breach of an environmental permit is a criminal offence. The potential penalty is a criminal conviction and an unlimited fine (in accordance with the Environmental Offences Sentencing Guidelines). The Environment Agency is aware of all delayed IED schemes and the Company's plans to remediate this (the IED Compliance Delivery, or Best Endeavours, Plan) but has not, to date, provided comprehensive feedback on the Compliance Delivery Plan or taken formal enforcement action. This is not to be taken as an indication that it won't take action. The risk and consequences of formal enforcement action cannot be reliably determined at this time. Consequently, the outcome of this matter and the existence of any possible future financial consequences of the investigation is not yet conclusive.

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

As at the 30 September 2025 the following matters are no longer deemed to meet the criteria for disclosure as contingent liabilities:

- Turnover fees. Under the turnover agreement a fee was payable to relevant Class A lenders in the event that a court gave permission for an appeal of the restructuring plan to be heard. £32.0 million of turnover fees was paid to Escrow on 15 April 2025. On 4 August 2025 £32.2 million (which included £0.2m interest) was returned to Thames following the Supreme Court's decision to refuse permission to appeal on 30 July 2025.

Notes to the condensed consolidated financial statements (continued)

18. Related party transactions

Transactions

For the six months ended 30 September	2025		2024	
	Services provided by the Group £'000	Services provided to the Group £'000	Services provided by the Group £'000	Services provided to the Group £'000
Ultimate parent				
Kemble Water Holdings Limited	24	-	441	-
Immediate parent				
Thames Water Utilities Holdings Limited	30,500	-	36,434	-
Intermediaries between the immediate and ultimate parent				
Thames Water Limited	51	-	503	-
Kemble Water Finance Limited	20	-	280	-
Kemble Water Eurobond plc	6	-	6	-
Thames Water (Kemble) Finance plc	-	-	242	-
Other entities within the Kemble Water Holdings group				
Kennet Properties Limited	79	-	67	-
Thames Water Property Services Limited	-	65	-	70
Trinzic Operations Limited	-	-	13	-
Thames Water Pension Trustees Limited	-	-	807	-
Trinzic Connected Limited	-	-	147	-
Entities external to the Kemble Water Holdings group				
Reimagined Futures Limited	-	11	-	-
AlixPartners UK LLP	-	4,209	-	-
Water UK Limited	-	903	-	-
Inframonik Advisory Limited	-	18	-	-
Major Projects Association	-	10	-	-
SGN Commercial Services Limited	-	-	-	388
Southern Gas Networks Plc	-	-	-	3
Total	**30,680**	**5,216**	**38,940**	**461**

The Company provides support and payroll services to companies within the Kemble Group under arms length contractual agreements, these services are recharged and have been disclosed as related party transactions above.

Amounts provided to Thames Water Utilities Holdings Limited represent the interest on the intercompany loan receivable.

Notes to the condensed consolidated financial statements (continued)

18. Related party transactions (continued)

Outstanding balances

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

	30 September 2025		31 March 2025	
	Amounts owed to the Group £'000	Amounts owed by the Group £'000	Amounts owed to the Group £'000	Amounts owed by the Group £'000
Ultimate parent				
Kemble Water Holdings Limited	68	-	-	-
Intermediaries between the immediate and ultimate parent				
Thames Water Limited	206	-	132	-
Kemble Water Finance Limited	27	-	-	-
Kemble Water Eurobond plc	1	-	-	-
Thames Water (Kemble) Finance plc	20	-	-	-
Immediate parent				
Thames Water Utilities Holdings Limited	1,420,052	16,641[1]	1,389,512	16,641[1]
Other entities within the Kemble Water Holdings group				
Kennet Properties Limited	91	9	44	9
Thames Water Property Services Limited	-	101	-	56
Total	**1,420,465**	**16,751**	**1,389,688**	**16,706**

[1] These amounts relate to provisional group relief payable balances.

The amounts outstanding are unsecured. No guarantees have been given or received. In the current period, an additional provision of £30.5 million was recognised as expected credit losses in respect of amounts owed by Thames Water Utilities Holdings Limited (31 March 2025: £1,389.5 million) resulting in the balance owed by Thames Water Utilities Holdings Limited to be £nil (31 March 2025: £nil). See note 9 for further detail.

19. Key management personnel

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

The remuneration of the Directors for the six months ended 30 September 2025, and comparative period ended 30 September 2024, is included in the table below:

For the six months ended 30 September	2025 £'000	2024 £'000
Fees	314	212
Salary	2,034	1,680
Pension and pension allowance	186	173
Bonus[1,2]	2,462	1,850
Payment in lieu of leave	68	-
Other benefits[1,3]	1,159	426
Total	**6,223**	**4,341**

[1] For the six months ended 30 September 2025, and the comparative period, a bonus for key management personnel was accrued based on 50% of expected year end outcome. The final bonus paid will be determined at year end by the Remuneration Committee.
[2] Ofwat announced on the 21 November 2024 new rules on Executive bonuses which will prevent amounts being funded by customers
[3] Other benefits includes medical benefits, car allowances, relocation costs and other incentives.

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

Notes to the condensed consolidated financial statements (continued)

20. Post Balance Sheet Events

On the 21 October 2025 TWUL agreed a further deferral of the Final Determination to the CMA for re-determination. There is no new deadline for the end of the deferral which will allow continued discussions with senior creditors regarding a potential market-led solution for the recapitalisation of the company.

A consent request was launched on 10 November 2025 to extend the ability of TWUL to draw down on its loan facility with TWSSI from 31 July 2025 to 28 November 2025 and to permit TWUL to further draw down £321 million of principal under the facility. Voting concluded on 24 November 2025 in favour of the consent, allowing TWSSI to on-lend £311 million net proceeds to TWUL on 25 November 2025, in line with the near-term liquidity needs of the operating company.

Thames Water