Registered no: 02403744 (England & Wales)

Thames Water Utilities Finance plc

Annual report and financial statements

For the year ended 31 March 2026

Contents

Directors and auditors

Directors
N Land
A Montague
I Pearson
C Weston
A De Brunner
N Robson
J Gething

Registered Independent Auditors
PricewaterhouseCoopers LLP
One Station Hill
Garrard Street
Reading
Berkshire
RG1 1NR
United Kingdom

Company Secretary and registered office
A Fraiser
Clearwater Court
Vastern Road
Reading
Berkshire
RG1 8DB
United Kingdom

Strategic Report

The Directors present their Strategic Report for Thames Water Utilities Finance plc (the Company), also referred to as TWUF, for the year ended 31 March 2026.

Business review

The Company was established to act as a financing company to its immediate parent company, Thames Water Utilities Limited (TWUL).

TWUL, alongside the Company and TWUL's other financing subsidiary Thames Water Super Senior Issuer plc (TWSSI), represent the TWUL Group. TWUL is the main trading subsidiary of the Kemble Water Holdings Limited (KWH) group of companies (the Group). The TWUL Group's principal operating activity is the appointed supply of water and wastewater services to customers in London, the Thames Valley and surrounding area, delivered through TWUL in accordance with its Instrument of Appointment.

The major transactions of the Company constitute the raising of debt finance and subsequent lending to TWUL. Proceeds from external debt issued by the Company, including the impact of associated derivatives, are passed onto TWUL through intercompany loans with a margin charged. However, a small minority of external transactions are not perfectly matched with intercompany transactions and on a small minority of intercompany transactions no margin is charged (refer to note 9 Intercompany loans receivable for more information).

The Company remains part of a group of three companies (the Securitisation Group) that are party to financing arrangements constituting a Whole Business Securitisation (WBS). The Securitisation Group comprises the Company and two other companies as follows:

- TWUL, the Company's immediate parent; and
- Thames Water Utilities Holdings Limited (TWUHL), TWUL's immediate parent.

The payment of all amounts owing in respect of the external debt issued by the Company is unconditionally and irrevocably guaranteed by the other companies in the Securitisation Group. In addition, the Company guarantees the external debt issued by TWUL. The guaranteed gross external debt on a post swap basis issued by companies in the Securitisation Group as at 31 March 2026 was £18,202.6 million (31 March 2025: £17,901.7 million). As at 31 March 2026, TWUF and TWUHL guarantee £1,631.5 million of intercompany debt lent by TWSSI to TWUL. Note that TWUF is not a guarantor of TWSSI's £1,836.5 million gross debt, which is only guaranteed by TWUL and TWUHL.

This year has been shaped by good progress in our operational and cultural transformation of TWUL. However, there continues to be material uncertainty regarding the Group and Company's going concern as described in further detail on pages 8 and 25 to 32.

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 deferral of the reference to the CMA, to provide an opportunity for these discussions to continue. Given this, no deadline has been set for the end of the deferral period.

TWUL Group's creditors continue to support TWUL's efforts to recapitalise, with a view to securing court approval for a second restructuring plan (RP2) to put TWUL on a sustainable long-term financial footing. An equity raise process commenced in summer 2024 and this has resulted in TWUL progressing a proposal by the Class A creditor group, and this is currently being discussed with Ofwat.

Strategic Report (continued)

Credit rating

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

TWUL Group ratings as at date of publication

Moody's Corporate family rating and Class B debt rating, and S&P's Class A and Class B debt ratings are unchanged since 31 March 2025. Moody's downgraded the Class A debt rating from Caa3(stable) to Ca (stable) on 10 July 2026. TWSSI's Super Senior debt was newly rated by Moody's in September 2025 at B2 (stable) rating.

TWUL is currently not in compliance with the requirements of its Instrument of Appointment to maintain, at all times, two investment grade ratings from two different credit rating agencies. Ofwat has accepted undertakings put forward by Thames Water, which required TWUL to appoint both an independent Monitor, L.E.K., to report on the Company's progress delivering its transformation plan and completing an equity raise, as well as two new Non-Executive Director board appointments to assist in an equity process and recapitalisation transaction. These commitments will remain in place until the TWUL Group regains two investment grade credit ratings.

Gearing and interest cover

Covenant net debt for TWUL Group increased to £19,772 million, with senior gearing at 87.0%, which excludes TWSSI cash. If TWSSI cash is included, gearing is 86.1%. The Senior Post Maintenance Interest Cover Ratio (PMICR) was 1.46x, which was above the minimum Trigger Event covenant level of 1.1x. The requirement for the Company, as part of the Securitisation Group, to comply with financial covenants is currently suspended, although a Trigger Event is deemed to be continuing during the stable platform period. The stable platform period commenced on 25 February 2025 and will apply until the next senior debt maturity date (currently 22 March 2027).

Financial results

The Directors have determined that the result before tax, total assets and the net assets or liabilities are the most appropriate key performance indicators for an understanding of the development, performance and position of the Company.

For the year ended 31 March 2026, the Company made a total loss before tax of £1,479.5 million (2025 £3,958.7 million), primarily due to £68.3 million loss on financial instruments (2025: £2.7 million gain) and expected credit losses on intercompany loans receivable of £1,355.4 million (2025: £4,028.3 million), partially offset by the margin earned on intercompany loans receivable from TWUL. Expected credit losses on intercompany loans receivable have been recognised in the Income Statement as an exceptional item, as these are material and not as a result of the ordinary course of business.

Total assets of the Company at 31 March 2026 were £9,876.1 million (31 March 2025: £11,165.7 million). Net liabilities of the Company at 31 March 2026 were £5,199.6 million (Net liabilities 31 March 2025: £3,743.0 million) reflecting the loss on ordinary activities after taxation, primarily due to expected credit losses on intercompany loans receivable which has been recognised in the Income Statement as an exceptional item. The Company's performance is in line with expectations, other than the expected credit losses on intercompany loans receivable.

The Company uses derivatives to manage inflation risk and foreign currency risk and these are held at fair value through profit or loss. The fair value of the derivatives is dependent upon expected future inflation rates, interest rates and spot foreign currency rates. This can result in large movements in the income statement within net gains on financial instruments relating to changes in the fair values of the derivatives. The external borrowings and intercompany loans with TWUL are held at amortised cost.

The Company does not recharge the year-on-year movement in derivative fair values to TWUL as the derivatives are in relation to debt obligations which the Company expects to hold to maturity, with the exception of movements in the fair value of consent fee derivatives. The cash flows of the debt-related derivatives are recharged to TWUL via the matching terms of intercompany loans from the Company to TWUL, with the exception of restructured swaps, where the relevant intercompany loans have matured or the terms are yet to be amended, and any swaps which are not linked to the Company's external debt.

Strategic Report (continued)

Principal risks and uncertainties

The Company is a financing subsidiary of TWUL and part of the Securitisation Group. The net proceeds of financing transactions and obligations entered into by the Company are lent to TWUL, the regulated operating company, by way of intercompany loans. Consequently, to service these external debt obligations, there is a reliance on TWUL's ability to settle its intercompany obligations and the Company's creditworthiness is closely linked with that of TWUL.

The outcome of TWUL's PR24 price review and current levels of the TWUL Group's liquidity has resulted in credit rating downgrades and forecast trigger events. The success and timing of securing the capital TWUL needs to finance its ambitious business plan, turnaround performance and increase financial resilience depends on securing a PR24 price determination that is both financeable and investible. This is a matter we 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). TWUL agreed with Ofwat to pause the referral and on 21 October 2025, TWUL announced that it had agreed with Ofwat a further deferral of the referral to the CMA, with no deadline set for the end of the deferral period.

TWUL continues to be exposed to inflationary pressures over the next twelve month reporting period, 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 TWUL's ageing infrastructure.

In addition, the Company's operations expose it to a variety of capital and financial risks. Treasury operations are managed centrally, by a specialist team, operating with delegated authority of, and under policies approved by, TWUL and the Board of the Company. The operation of the treasury function is governed by specific policies and procedures that set out guidelines for the management of liquidity, credit and market risks associated with financing activities.

The key elements of the treasury policies and procedures are incorporated in the TWUL Group's Annual Report. Copies of the TWUL Group's Annual Report may be obtained from the Company Secretary's Office at the address included in note 17.

Capital risk management

Capital risk relates to whether the Company is adequately capitalised and financially solvent. The key objectives of the funding strategy are to regain an investment grade credit rating for the Company's debt and provide liquidity sufficient to fund ongoing obligations. The Board reviews the Company's exposure to these risks and actively oversees the treasury activities, reviewing treasury policy and approving the treasury strategy and funding plan on an annual basis.

The capital structure of the Company consists mainly of borrowings. Quantitative information in relation to the capital structure is included in note 12 Financial Instruments.

The Securitisation Group is usually required to comply with an extensive set of financial and non-financial covenants. The financial covenants include interest cover ratios and net debt to Regulatory Capital Value (RCV) ratios, although these have been temporarily suspended during the stable platform period. A Trigger Event is deemed to be continuing during the stable platform period, which commenced on 25 February 2025 and will apply until the next senior debt maturity date (currently 22 March 2027).

The TWUL Group's funding policy is to ensure that it has adequate funding at all times to meet short-term and long-term requirements. The TWUL Group maintains a broad portfolio of debt (diversified by source and maturity) and ordinarily seeks to maintain sufficient liquidity to fund the operations of the business for a minimum of a 15-month

Strategic Report (continued)

Principal risks and uncertainties (continued)

forward period on an on-going basis, although currently this is not achieved whilst a recapitalisation transaction is being pursued. Derivative financial instruments are used to manage interest rate risk, inflation risk and foreign exchange risk. No open or speculative positions are taken, although consent fee derivatives, which are integrally linked to inflation-linked swaps, represent a liability and are not a hedge.

A restructuring plan was court sanctioned in February 2025, which enabled the extension of the maturity of all of the Company's outstanding debt principal repayments by two years. The Company's drawn revolving credit facilities were converted to term loans, and all undrawn facilities were cancelled on 25 February 2025 under the court-sanctioned restructuring plan.

Financial risk management

(i) Market risk

Market risk is the risk that changes in market variables, such as inflation, foreign currency rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments.

Financial instruments entered into by the Company include fixed rate debt, floating rate debt, RPI-linked debt and swaps. Fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. RPI linked instruments are exposed to future movements in the RPI index and real rates. All debt raised by the Company is lent to TWUL, a regulated water company with CPIH-linked revenue which is partially economically offset by RPI linked borrowings and swaps.

The Company's foreign currency risk exposure results from debt raised in currencies other than Sterling. The Company uses cross currency interest rate swaps to hedge the foreign currency exposure of debt issued in a foreign currency or otherwise lends the proceeds to TWUL in the foreign currency. All foreign currency hedges are undertaken for commercial reasons with the objective of minimising the impact of exchange rate and foreign currency interest rate fluctuations. Further disclosures regarding financial instruments can be found in note 12.

(ii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans to its immediate parent entity TWUL and cash flows receivable from counterparties to its derivative financial instruments. Credit control policies and procedures are in place to minimise the risk of bad debt arising from receivables from TWUL including, where appropriate, a review of TWUL's budget and forecasts. Additionally, payment of all amounts owing in respect of the external debt issued by the Company is unconditionally and irrevocably guaranteed by all companies within the Securitisation Group.

Under the terms of the WBS agreement, counterparties to the Company's derivative transactions have to meet minimum credit rating criteria as assigned by both Moody's and S&P. In respect of the derivative counterparties there is also a mechanism for the counterparty to post collateral when the counterparty fails to meet the necessary credit rating criteria and amounts due to the Company under outstanding derivative contracts exceed a contractually agreed threshold amount. No collateral was posted for the current or prior year.

(iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Securitisation Group seeks to manage long-term liquidity by maintaining continuity of funding through access to different markets and debt instruments, raising funds in the capital markets and ensuring that diverse debt maturity profiles are maintained. The financial challenges facing the Group, including Trigger Events under the WBS, have meant that access to new debt facilities since 31 March 2024 has been limited to super senior funding borrowed by TWUL via TWSSI. The Company matches the majority of its financial obligations with receivables due from its parent and its access to liquidity is dependent on its parent servicing these receivables.

Details of the Company's borrowings and other financial instruments are disclosed in notes 11 and 12 respectively.

As stated in the accounting policies to these financial statements, the Directors have concluded it is reasonable to assume that actions can be taken by TWUL such that the Company has adequate resources, for a period of 12 months from the date of approval of the financial statements, to continue operations and discharge its obligations as they fall

Strategic Report (continued)

Principal risks and uncertainties (continued)

due. However, given the material uncertainty in relation to the TWUL Group going concern basis and the Company's reliance on the credit worthiness of TWUL, the Directors have concluded that there exists a material uncertainty in relation to the going concern basis adopted in the preparation of the Company's financial statements.

Future outlook

It is expected that the Company will continue with its current business model with the proceeds from the Company's debt raising activities (including impact of associated derivatives) being lent to TWUL with a margin charged in addition to the underlying external costs, although TWUL is currently using TWSSI for new debt issuance. This is dependent upon TWUL's ability to secure additional debt and equity funding as TWUL continues with its Restructuring Plan. This will enable TWUL to settle its intercompany obligations, as they fall due, to fund the servicing and repayment of external debt obligations, more details of which are explained in the going concern section on pages 25 to 32.

s172 reporting

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

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

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

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

During the year, the Company has continued to act as a financing company for TWUL. Day-to-day running of the Company is managed by the Company's management team, consisting of employees from TWUL. During the year, the Board of Directors have approved the liquidity extension transaction, approved policy and hedging strategy updates and received updates on TWUL's recapitalisation plan and related transactions, and have approved the Company's annual report and financial statements. The Company had no employees during the year, or as at the date of this report, nor did it have any external customers or trading arrangements with suppliers.

Likely consequences of decisions in the long-term

The Board's decision to approve the liquidity extension transaction, policy and hedging strategy updates were consistent with the purpose of the Company acting as a financing vehicle for its immediate parent company, and the lending of external borrowings drawn down under debt facilities also enabled the Company to earn a margin on these activities.

Stakeholder management

The Company's stakeholders are considered to be external debt investors, credit rating agencies and its immediate parent company with whom intercompany loan relationships exist. The Company places considerable importance on communication with debt investors and credit rating agencies and regularly engages on a wide range of topics relevant to the TWUL Group. TWUL's Director of Corporate Finance is responsible for facilitating communication with investors, credit rating agencies and analysts and an active investor relations programme is maintained. Wider stakeholder engagement occurs regularly throughout the year, both formally and informally. During the year several debt investor update meetings and calls took place involving the TWUL Chief Executive Officer and TWUL Chief Financial Officer. As the recapitalisation transaction for TWUL is pursued, regular calls and monthly reporting packs have been provided to creditors. Regular update meetings have taken place throughout the year with investors and credit rating agencies.

Strategic Report (continued)

s172 (continued)

Community and Environment

In raising funding for TWUL, the Board supports the commitment to seek to continually improve the delivery of water and wastewater services in the most sustainable way, which means complying with regulation, delivering public value and leaving the environment in a better state than we found it at the end of each regulatory period. TWUL's Board of Directors manage this for the Group and further details of how they have carried out their duties is disclosed in the financial statements of TWUL.

The Board of Directors of the Company consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006.

This Strategic Report was approved by the Board of Directors on 14 July 2026 and signed on its behalf by:

C Weston
Director

Clearwater Court
Vastern Road
Reading
Berkshire
RG1 8DB

Directors' report

The Directors present their annual report and the financial statements of the Company for the year ended 31 March 2026. The Directors consider that the annual report and financial statements, taken as a whole, is fair, balanced and understandable, and provides the information necessary for stakeholders to assess the Company's performance and strategy.

The registered number of the Company is 02403744 (England & Wales).

Directors

The Directors of the Company who were in office during the years and up to the date of signing the financial statements were:

N Land
A Montague
I Pearson
C Weston
A De Brunner
N Robson
J Gething

J Gething was appointed on 2 December 2024 as Chief Restructuring Officer of the TWUL Group to provide specialist advice on the complex issue of balance sheet recapitalisation and he became a TWUL, TWUF, TWUHL Board member on 22 January 2025. He is not employed by any company in the Group and accordingly is not paid any remuneration by TWUL Group for qualifying services. All fees associated with his role as Chief Restructuring Officer are paid to AlixPartners UK LLP by TWUL.

During the period under audit, none of the other Directors had significant contracts with the Company or any other body corporate within the TWUL Group other than their contracts of service with TWUL (2025: none).

Future outlook

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

Going concern

The Directors consider it appropriate to prepare the financial statements on a going concern basis as they have a reasonable expectation that the Company will continue to have adequate resources for a period of 12 months from the date of approval of the financial statements. In their assessment, the Directors have identified a material uncertainty related to events that are outside the control of the Board and may cast significant doubt on the Company's ability to continue as a going concern. In assessing the appropriateness of the going concern basis, the Directors have considered various factors that are described in further detail on pages 25 to 32.

Given the dependency on TWUL, the Directors have considered the going concern assessment made by TWUL Group as well as actions taken post the balance sheet date of 31 March 2026. The TWUL Group assessment concluded that the TWUL Directors believe that it is reasonable to assume that actions can be taken such that TWUL and the TWUL Group have adequate resources, for a period of 12 months from the date of approval of the financial statements, to continue operations and discharge their obligations as they fall due. However, there exists a material uncertainty which may cast significant doubt on the TWUL Group and TWUL's ability to continue as a going concern in relation to the ability to deliver a recapitalisation transaction by way of RP2 successfully, either within the Assessment Period or at all. This material uncertainty also applies to the Company. There is also material uncertainty around the Company's role as a financing entity for future debt issuance.

Further details of the TWUL Group assessment and the post balance sheet events are contained in the TWUL Group annual report for 2025/26, copies of which may be obtained from the Company Secretary's Office at the address included in note 17.

Accordingly, the Directors have concluded it is reasonable to assume that actions can be taken by TWUL such that the Company has adequate resources, for a period of 12 months from the date of approval of the financial statements, to continue operations and discharge its obligations as they fall due. However, given the material uncertainty in relation to the TWUL Group and TWUL's going concern basis and the Company's reliance on the credit worthiness of TWUL, the Directors have concluded that there exists a material uncertainty in relation to the going concern basis adopted in the preparation of the Company's financial statements.

Directors' report (continued)

Gearing and interest cover

The Financial Review in the TWUL Group annual report notes the out-turn for the financial covenants defined in the WBS for gearing and interest cover ratios as at 31 March 2026. Both these ratios are usually key covenants for Secured Creditors and modified forms are used by credit rating agencies as part of their analysis when determining credit ratings, however the WBS financial covenants are suspended during the stable platform period.

PMICR measures the amount of underlying cash generated by operating activities of the Company, adjusted for RCV depreciation, relating to the interest paid on TWUL Group's debt. This ratio is a key covenant set by our lenders, and in modified forms, also used by credit rating agencies as part of their analysis when determining credit ratings.

Under the terms of the WBS, there is usually a requirement to publish forecast financial covenant ratios for the next four financial years, but during the stable platform period only the ratios for the 12 month period ending 31 March 2026 are required to be published.

Intercompany loan receivable

At 31 March 2026, the Company was owed £15,172.1 million (2025: £15,060.4 million) by TWUL in respect of amounts loaned from the net proceeds of debt raised by the Company and unpaid interest. Management makes an estimate of the recoverable value of the TWUL loan receivables in line with the provisions of IFRS 9. Details of this assessment and the expected credit losses recognised in the period can be found in the significant accounting judgements section of the Material accounting policy information.

Expected credit losses on receivables, which are detailed in note 7, total £1,355.4 million as at the year ended 31 March 2026 (2025: £4,028.3 million). Refer to note 9 for further detail of the impact on the intercompany loan receivable.

Dividends

The Company did not pay any dividends in the twelve months ended 31 March 2026 (2025: £nil). The Directors do not recommend the payment of a dividend (2025: £nil).

Financial risk management

During the year, the Company had access to the TWUL Chief Executive Officer, who was appointed a Director of the Company in the prior year, and the Executive Team of TWUL. The Company also had access to a Chief Restructuring Officer who was appointed as a Director of the Company on 22 January 2025. They receive regular reports on business performance. This enables prompt identification of financial and other risks so that appropriate action can be taken in the relevant group companies.

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

Corporate Governance

As noted above, the Company has full access to the Executive Team of TWUL, including access to the risk management and internal control systems which the Company relies upon in meeting its governance framework requirements. Their system of risk management and internal control aims to ensure that every effort is made to manage risk appropriately, rather than eliminate risk completely, and can only provide reasonable, rather than complete, assurance against material impact. Management of risk supports this through a number of key company level internal controls and responses:

- Business planning, budgeting and forecasting. These activities support resilient operations and help to plan for sustainable and robust finances. The annual budgeting exercise includes a detailed budget for the year and a view for the remainder of the asset management plan ("AMP"). The regulatory period AMP8 runs from 1 April 2025 to 31 March 2030;
- Performance reporting. The Company's Board and the Board of TWUL receive monthly group management reports, including an overview of key performance metrics;
- System of delegated authority. Delegated levels of decision-making authority are reviewed and approved by the Board;
- Insurance. Insurance programme and insurance team are in place. The Board review and approve the strategic approach being taken to level and type of cover;
- Company policies, standards, guidelines and procedures. Relevant governance documentation is reviewed regularly and is intended to manage our inherent risk; and
- Code of Conduct and Speak Up, a whistleblowing platform. Code of Conduct and confidential whistleblowing processes are in place to be investigated by a dedicated team.

Directors’ report (continued)

Corporate Governance (continued)

The Enterprise Risk Management and Internal Audit teams of TWUL also provide reporting and assurance over our management of key business risks.

Further details relating to Corporate Governance are incorporated in the TWUL Group’s Annual Report for 2025/26.

Research and development

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

Political and charitable donations

No political or charitable donations were made by the Company during the year (2025: £nil).

Directors’ indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors (which extend to the performance of any duties as Director of any associated company) and these remained in force during the financial year and at the date of approval of the annual report and financial statements.

Directors’ confirmations

Each of the Directors, whose names and functions are listed in the Directors' report confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors’ report is approved:

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

Independent auditors

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

This Directors’ report was approved by the Board of Directors on 14 July 2026 and signed on its behalf by:

C Weston
Director

Clearwater Court
Vastern Road
Reading
Berkshire
RG1 8DB

Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

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

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

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

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

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board of Directors on 14 July 2026 and signed on its behalf by:

C Weston
Director

Clearwater Court
Vastern Road
Reading
Berkshire
RG1 8DB

Independent auditors' report to the members of Thames Water Utilities Finance plc

Report on the audit of the financial statements

Opinion

In our opinion, Thames Water Utilities Finance plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2026 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise:

- the Statement of financial position as at 31 March 2026;
- the Income statement for the year then ended;
- the Statement of changes in equity for the year then ended;
- the Statement of cash flows for the year then ended;
- the Material accounting policy information; and
- the notes to the financial statements.

Our opinion is consistent with our reporting to the Audit, Risk and Reporting Committee of Thames Water Utilities Limited.

Basis for opinion

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

Independence

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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 1, we have provided no non-audit services to the company in the period under audit.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the Material accounting policy information within the financial statements concerning the company's ability to continue as a going concern. We note that the Company is wholly reliant on the ability of its immediate parent, Thames Water Utilities Limited ('TWUL'), to settle its intercompany obligations, as they fall due, and to fund the servicing and repayment of external debt obligations. Additionally, TWUL, and the Company, have guaranteed the obligations of each other. The TWUL Group identified a material uncertainty in relation to the going concern basis of preparation adopted in its Annual Report for 2025/26. These conditions, along with the other matters explained in the Material accounting policy information within the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

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

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding and evaluating the design and implementation of relevant controls related to the directors' assessment of going concern;
- Obtaining and understanding the terms of the Whole Business Securitisation and the TWUL Group's financing documentation, including the super senior financing documentation and the financial covenants applicable to the TWUL Group, to understand the construct of the Whole Business Securitisation and the guarantees in place between TWUL and the Company;
- Understanding and assessing the factors giving rise to the material uncertainty including assessing the actions available to the directors on which they have based their assertion that they have a reasonable expectation that the TWUL Group and Company has adequate resources to continue for a period of at least 12 months from the date of approval of the financial statements;
- Testing the mathematical integrity of the cash flow forecasts and the models supporting these forecasts and reconciling them to Board approved budgets and forecasts;
- Performing a comparison of budget versus actual results for the year ended 31 March 2026 and understanding where variances had arisen. Through this testing we informed our assessment regarding management's ability to forecast accurately;
- Evaluating the key assumptions management has applied in developing their base case. We challenged various aspects of management's base case including consideration of potential downside risks;
- Performing inquiries with key stakeholders (from both within and outside of the TWUL Group) and reviewing correspondence with creditor representatives, regulators and advice from the TWUL Group's external legal counsel to corroborate management's position and assess whether

there is any contradictory or additional evidence requiring disclosure within the basis of preparation;

- Engaging the use of experts including business restructuring experts to support us in understanding aspects of management's assessment and informing our challenges to management; and
- Assessing the appropriateness of the disclosures within the financial statements as disclosed in the Material accounting policy information, relating to the material uncertainty on going concern.

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

Our audit approach

Overview

Audit scope

- We have assessed the financial statements for areas of complexity and where management have made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. The most significant of these areas have been included as key audit matters.

Key audit matters

- Material uncertainty related to going concern
- Valuation of financial derivatives - credit risk adjustment
- Valuation of intercompany balances due from Thames Water Utilities Limited

Materiality

- Overall materiality: £150,757,000 (31 March 2025: £149,087,000) based on 1% of Total liabilities.
- Performance materiality: £113,067,750 (31 March 2025: £111,815,250).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Accounting for debt modification, which was a key audit matter last year, is no longer included because of the matter being in relation to a one-off event that occurred in the year ended 31 March 2025. Otherwise, the key audit matters below are consistent with last year.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Valuation of financial derivatives - credit risk adjustment
The derivative position as at 31 March 2026 was an asset of £80.1m (2025: £55.9m) and a liability of £231.1m (2025: £237.1m). The net derivative fair value as at 31 March 2026 was a liability of £151.0m (2025: £181.2m). The £30.2m year-on-year increase in the net liability position is primarily driven by underlying market movements.
The derivatives credit risk adjustment valuation, specifically the estimation of the company's own credit risk, is a key audit matter as it gives rise to a significant source of estimation uncertainty. See the Significant accounting judgements and key sources of estimation uncertainty ('Accounting estimates and judgement - valuation of derivatives') for further detail.
The credit risk adjustment reflects a market participant's view of Thames' own credit risk, being the non-performance risk of Thames on its obligations. The estimation uncertainty reflects the lack of observable market inputs for key assumptions, particularly the group's credit risk and super senior recovery rate, and the sensitivity of the valuation output to changes in those inputs. While IFRS 13 does not prescribe a specific methodology for calculating credit risk adjustments, management is required to apply judgement in determining an appropriate approach.
Refer to the Significant accounting judgements and key sources of estimation uncertainty within the Material accounting policy information.</td><td>We obtained an understanding of the derivatives valuation process and evaluated the design and implementation of related financial controls.
Our procedures over the risk-free valuations included: agreeing the terms of all derivative contracts held to independent confirmations or contract and, determining whether the risk-free valuations were within tolerable thresholds using standard PwC defined methodologies and independently sourced data inputs our valuations experts established to be appropriate for the instruments being valued. We used our internal valuation experts to perform procedures over the credit risk adjustment including:
• Independently re-performing the credit risk adjustment calculation using an equivalent valuation model and management's credit curve and assumptions across the full population of counterparty netting sets;
• Assessing the reasonableness of the key assumptions used by management in constructing their own-credit curve, including the inter-related probability of default and recovery rate assumptions through comparison with available market evidence; and,
• Assessing the impact of alternative market participant inputs and approaches as a stand-back assessment, noting that this calculation produced varied but acceptable outcomes when the same recovery rate assumption is applied, and that the recovery rate is the dominant driver of estimation uncertainty rather than the specific credit curve construction.
We assessed the classification of the derivatives as Level 3 instruments in the fair value hierarchy and reviewed management's disclosures on the estimation uncertainty in their valuation and describing the nature and extent of the uncertainty.</td></tr>
<tr><td>Valuation of intercompany balances due from Thames Water Utilities Limited

The Company has recorded a preliminary provision for expected credit losses on the intercompany receivables due from its immediate parent TWUL of £5,536.1m (2025: £4,083.3m), resulting in a charge to the Income Statement of</td><td>We obtained an understanding of management's methodology applied to assess the recoverability of the intercompany receivable balance with its immediate parent TWUL and we have assessed the design and implementation of related financial controls.</td></tr>
</table>

£1,355.4m (2025: £4,028.3m) in the year ended 31 March 2026. The assessment of the recoverability and calculation of the expected credit loss involves significant judgement and estimation. The key inputs into management's impairment model include the level of external debt haircut which will be required as part of RP2, and the probability weighting of management's multi-factor scenario analysis. Two scenarios were considered by management in a multiple factor analysis: a scenario where a market-led solution to the restructuring is successful, and a scenario where TWUL enters a Special Administration Regime. Management provided a weighted probability of those scenarios occurring in order to calculate an expected credit loss. Refer to the Significant accounting judgements and key sources of estimation uncertainty within the Material accounting policy information and note 7.	We obtained management's model and tested the mathematical accuracy of the calculations. We obtained an understanding of the rationale of the model adopted and verified the key input data. We tested the basis on which management has estimated the debt haircuts. We agreed management's assessment of the current traded value of external debt to external sources. We read and challenged the Significant accounting judgements and key sources of estimation uncertainty contained within the Material accounting policy information of the financial statements, in particular to ensure that it adequately highlights the significant estimation uncertainty in relation to the calculation of the expected credit loss.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

The company consists of one operating segment with one accounting and financial reporting function managed from a single location in the United Kingdom.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the company's financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall company materiality	£150,757,000 (31 March 2025: £149,087,000)

How we determined it	1% of Total liabilities.
Rationale for benchmark applied	The entity functions to service group financing requirements. Therefore, we considered that using a balance sheet liability benchmark was appropriate as it reflects the nature of the company's activities.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (31 March 2025: 75%) of overall materiality, amounting to £113,067,750 (31 March 2025: £111,815,250) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit, Risk and Reporting Committee of Thames Water Utilities Limited that we would report to them misstatements identified during our audit above £15,075,700 (31 March 2025: £14,908,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2026 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

- Made enquiries of TWUL management, the internal audit function and external and internal legal counsel, of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluated management's controls designed to prevent and detect irregularities;
- Assessed the significant accounting estimates and judgements for indication of management bias;
- Identified journal entries throughout the year that met our fraud risk criteria and tested these; and
- Reviewed minutes of meetings of those charged with governance and reviewing internal audit reports.

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

We were first appointed by the company for the financial year ended 31 March 2019. Our uninterrupted engagement covers 8 financial years.

Other matter

The company is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R - 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.

Sotiris Kroustis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
14 July 2026

Income statement

For the year ended 31 March 2026

	Note	2026 Underlying £m	2026 Exceptional items £m	2026 Total £m	2025 Underlying £m	2025 Exceptional items £m	2025 Total £m
Administrative expenses	1	**(0.3)**	**-**	**(0.3)**	(0.2)	-	(0.2)
Operating loss		(0.3)	-	(0.3)	(0.2)	-	(0.2)
Finance income	4	588.4	-	588.4	685.8	105.1	790.9
Finance expense	5	(643.9)	-	(643.9)	(633.6)	(90.2)	(723.8)
Net (losses)/gains on financial instruments	6	(68.3)	-	(68.3)	17.6	(14.9)	2.7
Expected credit losses on intercompany loans	7	-	(1,355.4)	(1,355.4)	-	(4,028.3)	(4,028.3)
(Loss)/ profit on ordinary activities before taxation		(124.1)	(1,355.4)	(1,479.5)	69.6	(4,028.3)	(3,958.7)
Tax credit/(charge) on (loss)/profit	8	22.9	-	22.9	(0.9)	-	(0.9)
(Loss)/ profit on ordinary activities after taxation		(101.2)	(1,355.4)	(1,456.6)	68.7	(4,028.3)	(3,959.6)

The Company's activities above are derived from continuing activities.

There is no other comprehensive income for the year ended 31 March 2026 (2025: None).

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 on page 34. 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.

Statement of financial position

As at 31 March 2026

	Note	31 March 2026 Total £m	31 March 2025 Total £m
Non-current assets			
Intercompany loans receivable	9	9,236.4	10,570.9
Derivative financial assets	12	51.4	55.9
Deferred tax asset	13	31.9	9.0
Prepayments and other assets		-	0.4
		9,319.7	**10,636.2**
Current assets			
Cash and cash equivalents		1.5	1.4
Intercompany loans receivable	9	399.6	406.2
Prepayments and other assets		-	0.5
Derivative financial assets		28.7	-
Amounts owed by group undertakings	10	126.6	121.4
		556.4	**529.5**
Current liabilities			
Borrowings	11	(607.4)	(336.0)
Derivative financial liabilities	12	(1.3)	-
Other financial liabilities	12	(0.7)	(1.4)
		(609.4)	**(337.4)**
Net current (liabilities)/ assets		**(53.0)**	**192.1**
Non-current liabilities			
Borrowings	11	(14,236.2)	(14,333.4)
Derivative financial liabilities	12	(229.8)	(237.1)
Other financial liabilities	12	(0.3)	(0.8)
		(14,466.3)	**(14,571.3)**
Net liabilities		**(5,199.6)**	**(3,743.0)**
Equity			
Called up share capital	14	0.1	0.1
Other reserves	14	207.7	207.7
Accumulated losses		(5,407.4)	(3,950.8)
Total equity		**(5,199.6)**	**(3,743.0)**

The financial statements on pages 21 to 24 were approved by the Board of Directors on 14 July 2026 and signed on its behalf by:

C Weston
Director

Registered number: 02403744 (England & Wales)

Statement of changes in equity

For the year ended 31 March 2026

	Called up share capital £m	Other reserves £m	Retained earnings/ (accumulated losses) £m	Total equity £m
1 April 2024	0.1	207.7	8.8	216.6
Loss on ordinary activities after taxation	-	-	(3,959.6)	(3,959.6)
31 March 2025	0.1	207.7	(3,950.8)	(3,743.0)
Loss on ordinary activities after taxation	-	-	(1,456.6)	(1,456.6)
31 March 2026	0.1	207.7	(5,407.4)	(5,199.6)

Other reserves comprise a capital reduction undertaken by the Company in 2018 eliminating the share premium held previously of £207.7 million.

Statement of cash flows

For the year ended 31 March 2026

	2026 £m	2025[6] £m
Operating activities:		
Loss for the period	(1,456.6)	(3,959.6)
Less finance income	(588.4)	(790.9)
Add finance expense	643.9	723.8
Add/(less) net losses/(gains) on financial instruments	68.3	(2.7)
Add expected credit losses on intercompany loans receivable	1,355.4	4,028.3
(Less)/add taxation on (loss)/profit on ordinary activities	(22.9)	0.9
Operating loss	**(0.3)**	**(0.2)**
Movement in amounts owed by group undertakings	(5.2)	0.1
Movement in group relief	0.1	-
Net cash outflow from operating activities	**(5.4)**	**(0.1)**
Investing activities:		
Interest received	555.2	471.2
Loans to group companies[1]	-	(365.8)
Loans repaid by group companies[2]	-	779.6
Fees received	4.3	0.8
Net cash inflow from investing activities	**559.5**	**885.8**
Financing activities:		
Proceeds from new loans[3]	-	365.8
Repayment of borrowings[4]	-	(633.1)
Payment for derivative settlement[5]	(3.2)	(146.6)
Interest paid	(546.6)	(463.3)
Fees paid	(4.2)	(8.7)
Net cash outflow from financing activities	**(554.0)**	**(885.9)**
Net movement in cash and cash equivalents	0.1	(0.2)
Net cash and cash equivalents at beginning of period	1.4	1.6
Net cash and cash equivalents at end of period	**1.5**	**1.4**

[1] Loans to group companies of £nil (2025: £365.8 million) represents amounts raised by the Company and then lent to TWUL through an intercompany loan receivable and includes £nil (2025: £365.8 million Class A) of drawdowns relating to revolving credit facilities. Rollover of drawdowns on intercompany loans relating to revolving credit facilities will not appear as new cash flows in the cash flow statement.

[2] Loans repaid by group companies of £nil (2025: £779.6 million) represents intercompany loans receivable repaid by TWUL and includes £nil (2025: £490.7 million) of repayments relating to revolving credit facilities, including £nil Class A and £nil Class B (2025: £120.0 Class A and £370.7 million Class B). The remaining £nil representing intercompany loans receivable repaid by TWUL in respect of bond and loan repayments (2025: £288.9 million).

[3] New loans raised of £nil (2025: £365.8 million) includes £nil (2025: £365.8 million class A) of drawdowns relating to revolving credit facilities. Rollover of drawdowns on intercompany loans relating to revolving credit facilities will not appear as new cash flows in the cash flow statement.

[4] Repayment of borrowings of £nil (2025: £633.1 million) includes £nil (2025: £490.7 million) of repayments relating to revolving credit facilities including £nil Class A and £nil Class B (2025: £120.0 million Class A and £370.7 million Class B). The remaining amount includes £nil representing bond repayments (2025: £141.4 million) and £nil representing loan repayments (2025: £1.0 million).

[5] Payment for derivative settlement of £3.2 million (2025: £146.6 million) includes £3.2 million relating to consent fee derivatives (2025: £nil), £nil (2025: £143.5 million) relating to net accretion paydown on index-linked swaps and £nil (2025: £3.1 million) relating to settlement of cross currency swaps.

[6] Excluded from the statement of cash flows in the prior year was the deemed settlement of consent fees of £90.2 million as this was a non-cash transaction at both a Company and TWUL perspective.

Material accounting policy information

The accounting policies adopted in the preparation of these financial statements, which have been applied consistently, unless otherwise stated, as set out below. IAS 1 guidance has been considered in the preparation of the financial statements and ensured that material accounting policies applicable are disclosed in line with this guidance.

General information

Thames Water Utilities Finance plc (the Company) is a public limited company incorporated and domiciled in the United Kingdom. The Company is limited by shares issued to shareholders. The trading address and address of the registered office is Clearwater Court, Vastern Road, Reading, Berkshire, RG1 8DB.

The Company was established to act as a financing company to its immediate parent company, Thames Water Utilities Limited (TWUL). TWUL alongside the Company and TWUL's financing subsidiary TWSSI, represent the TWUL Group. TWUL is the main trading subsidiary of the Kemble Water Holdings Limited (KWH) group of companies (the Group).

Statement of compliance

The financial statements have been 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.

Basis of preparation

The financial statements for the year ended 31 March 2026, set out on pages 21 to 24, 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 Company is 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 has no realistic alternative but to do so.

Certain cash flows related to the Company are transacted by fellow group companies on behalf of the Company. The Directors have assessed that the Company is the principal in these transactions and the role of other group companies is for administrative purposes only. As such the Company presents all cash flows related to the Company in these financial statements in line with IAS 7.

Going concern

Company

The Directors consider it appropriate to prepare the financial statements on a going concern basis as they have a reasonable expectation that the Company will continue in existence for the next 12 months from the date of approval of the financial statements. In their assessment, the Directors have identified a material uncertainty related to events that are outside the control of the Board that may cast significant doubt on the Company's ability to continue as a going concern. In assessing the appropriateness of the going concern basis, the Directors have reviewed the factors set out below.

The Directors have considered the nature of the business and do not expect this to significantly change over the next 12 month period, with the proceeds of any debt raising by the Company (including impact of associated derivatives) being lent to TWUL with a margin charged.

In confirming the basis of preparation, the Directors have considered the Company's relationship with TWUL as its immediate parent company, its dominant debtor on the Company's Statement of financial position and its fellow obligor under the WBS. In particular:

- The Company is wholly reliant on TWUL's ability to settle its intercompany obligations, as they fall due, to fund the servicing and repayment of external debt obligations;
- The Company, TWUHL and TWUL are Obligors under the WBS, entered in 2007. The Obligors have all entered into a Security Trust and Inter-creditor Deed (STID). Pursuant to this arrangement, TWUHL guaranteed the obligations of each other Obligor under the finance agreement. Additionally, TWUL, and the Company, have guaranteed the obligations of each other under the finance agreement, in each case to the Security Trustee. If TWUL were to default on its external borrowings, the Company is expected to be unable to fulfil any call under its guarantee of TWUL's debt provided under the WBS, as the Company would be unlikely to be able to obtain funds to do so; and

Material accounting policy information (continued)

Going concern (continued)

- The factors disclosed for the going concern assessment for the TWUL Group, considered by the TWUL Board, which are relevant to TWUL alone but would also impact the Company, being TWUL's ability to deliver a recapitalisation transaction by way of RP2 successfully, either within the Assessment Period or at all.

For completeness, the going concern assessment for TWUL Group is presented below on pages 26 to 32. Further details of this assessment and other information are contained within the TWUL Group Annual Report for 2025/26, copies of which may be obtained from the Company Secretary's Office at the address included in note 17.

In assessing whether the Company has adequate resources, for a period of at least 12 months from the date of approval of the financial statements, to continue operations and discharge its obligations as they fall due, the Directors have taken into consideration all of the factors set out above.

Accordingly, while TWUL continues to seek a recapitalisation, the Directors have concluded it is reasonable to assume that actions can be taken such that the Company has adequate resources, for a period of 12 months from the date of approval of the financial statements, to continue operations and discharge its obligations as they fall due. However, it is noted for the TWUL Group that there exists a material uncertainty in relation to the going concern basis adopted in the preparation of the financial statements given that TWUL requires a recapitalisation transaction to be implemented, the outcome and timing of which is not within its control.

Consequently, given the Company's clear dependency on the support of TWUL, the Directors have concluded that the material uncertainty disclosed for TWUL Group and TWUL is also applicable to the going concern assessment for the Company. As a result, these conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

Summary of TWUL Group going concern assessment

Context

The Directors believe that it is reasonable to assume that actions can be taken such that TWUL Group and TWUL 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 its obligations as they fall due. However, there exists a material uncertainty, which could crystallise in the very near term, which may cast significant doubt on TWUL Group and TWUL's ability to continue as a going concern in relation to the preparation of the financial statements given TWUL Group and TWUL requires a recapitalisation transaction (including the provision of additional equity funding and a restructuring of TWUL's existing balance sheet) to be implemented, the outcome and timing of which is not within their control.

The Directors' base case is that the recapitalisation transaction will be agreed and implemented within the Assessment Period.

The Directors expect that for the recapitalisation transaction to be agreed TWUL will require the support of its stakeholders (including its creditors) and for Ofwat to have taken a final decision in respect of regulatory measures following a public consultation. The recapitalisation will also require court sanction through a restructuring plan under Part 26A of the Companies Act 2006 ("**RP2**") (noting that such decision to sanction RP2 may be subject to an appeal).

Discussions in relation to the recapitalisation have been taking place and continue with TWUL's stakeholders and, whilst progress has been made, Ofwat has not as yet launched the public consultation, and TWUL is not currently in a position to launch the recapitalisation. As a result, there exists a material uncertainty as to whether, and when, TWUL would be able to do so and therefore whether this will be implemented within the Assessment Period.

Notwithstanding this uncertainty, TWUL has engaged with its stakeholders ahead of preparing these consolidated financial statements and the Directors believe that TWUL's key stakeholders remain committed to pursuing a successful recapitalisation transaction. The Directors therefore expect that discussions in respect of launching the public consultation and the recapitalisation will continue and that in order for the recapitalisation to be agreed and implemented TWUL will need to have sufficient funding for the Assessment Period, which it does not currently have.

TWUL drew the final tranche of £213 million of its available committed super senior funding from its subsidiary TWSSI on 14 July 2026. TWUL has the ability to access £750 million of further external funding via TWSSI comprising £677 million which is uncommitted and £73.5 million which has been committed but which is deferred. However, the

Material accounting policy information (continued)

Going concern (continued)

conditions to access the funding have not been satisfied and the satisfaction or waiver of these conditions is outside the direct control of TWUL. The Directors expect to require access to the £750 million external funding during August 2026, with the process to obtain such funding expected to commence on or around 16 July 2026.

The Directors further expect that additional liquidity will be required from early December 2026 and that TWUL will need to extend its debt maturities which fall due during the Assessment Period (the earliest falling in March 2027), and extend the waivers which it has obtained under its finance documents which are scheduled to end on the same date as its earliest debt maturity (currently March 2027). The provision of such further funding is outside the direct control of TWUL, requiring both consents from TWUL's creditors and commitments from lenders who are willing to provide such funding. The extension of maturities and waivers is also outside the direct control of TWUL, requiring consents from TWUL's creditors.

TWUL has engaged with its senior creditors and has received a letter of support from creditors representing in aggregate over £13 billion (82%) of TWUL's Class A Debt and over £1.6 billion (73%) of TWUL's Super Senior Debt, indicating that they intend to provide consents to allow the super senior facilities to continue to be drawn, the relevant maturities to be extended and the Stable Platform Period (which commenced on 25 February 2025 under RP1 and continues until March 2027, under which a Trigger Event is ongoing and testing of financial covenants is suspended) to be extended. The letter of support does not create legally enforceable rights but states the relevant creditors' present intentions.

If TWUL fails to obtain the consents and commitments necessary to have sufficient funding for the Assessment Period, TWUL will need to consider all options available to it at the time, but a severe but plausible consequence would be a special administration of TWUL under the Water Industry Act 1991.

Given the multiple interdependencies on which the ability to deliver the recapitalisation transaction is based, uncertainties in relation to each interdependency could crystallise in the very near term.

The Directors believe there are two 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 TWUL has a sufficient liquidity runway is an important step in TWUL'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 in the 'Other considerations' section below).

Following a judgment of the High Court of Justice of England and Wales handed down on 18 February 2025, the 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 TWUL and TWUL Group to achieve a recapitalisation transaction, by extending the Company's liquidity runway. RP1 has enabled, and continues to enable, TWUL to seek 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 ability to increase this by a further £1.5 billion uncommitted accordion facility, which may be accessible following the satisfaction or waiver of certain conditions precedent (some of which are not yet satisfied and remain out of TWUL Group and TWUL's control); and
- it temporarily suspended a number of the financial and other covenants in TWUL's financing arrangements until the date of its earliest debt maturity (currently March 2027).

Material accounting policy information (continued)

Going concern (continued)

TWUL commenced the drawdown process on its £1.5 billion intercompany facility from TWSSI in April 2025, and further tranches of funding were drawn from TWSSI in May 2025, July 2025, August 2025, November 2025 and January 2026. In February 2026 TWSSI commenced the allocation process for the first £823 million of the accordion facility, with tranches of such funding being drawn from TWSSI to TWUL in March 2026, April 2026, June 2026 and July 2026. To date, TWUL has drawn principal of c. £2.25 billion of funding from TWSSI.

TWUL drew the final tranche of £213 million of its committed and undeferred [1] super senior funding on 14 July 2026, which is expected to provide liquidity through until at least the end of August 2026 based on the latest Board approved forecast.

TWSSI's remaining uncommitted super senior funding of £677 million, together with the £73.5 million committed and deferred super senior funding, is (subject to satisfaction or waiver of conditions precedent and to obtaining new commitments) expected to provide liquidity through until at least the end of November 2026 based on the latest Board approved forecast. TWUL Group's and TWUL'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. TWUL forecasts to undertake the first utilisation of the second tranche of the accordion in August 2026 with the accordion expected to be fully drawn by November 2026, and therefore currently anticipates that the process to obtain commitments for the remainder of the accordion and consents to such drawings will be carried out in the coming weeks and will commence on or around 16 July 2026.

The drawing of super senior funding by TWUL is subject to conditions precedent including that for any drawing on or after 31 July 2026, the 'Supported LUA Condition' (which requires that a lock-up agreement to a recapitalisation transaction has been signed by at least 66 2/3% of TWUL's Class A creditors and 66 2/3% of TWUL's Super Senior creditors) must be satisfied. This date has been extended on multiple occasions as part of the recent consent processes and TWUL 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 with the consent of at least 50% of the super senior creditors.

The Supported LUA Condition also applies to the accordion, as does a condition that the CMA referral decision has been made (see further below in relation to the status of the CMA referral). The conditions can be waived with the consent of 50% of the super senior creditors.

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.

TWUL forecasts to require further funding from early December 2026 and that further funding of £2.4 billion would be required to provide sufficient liquidity for the period to end of October 2027, subject to the terms of the funding raise. TWUL expects to launch further consent processes to seek consent to increase the super senior funding by £2.4 billion in multiple tranches (the "Upsize"), with such Upsize requiring the consent of at least 75% of the Company's Class A creditors and 75% of TWUL's super senior creditors.

If RP2 is not launched by 1 October 2026 (through filing of a claim form or issuance of a practice statement letter), TWUL expects to launch a scheme of arrangement or further restructuring plan in respect of the debt falling due in the period to 30 September 2027 (or, potentially, all of TWUL's debt) such that their respective maturity dates are rescheduled beyond 30 September 2027. In addition, if RP2 is not launched by 1 April 2027 TWUL expects to launch a scheme of arrangement or further restructuring plan in respect of the super senior debt falling due in October 2027 such that its maturity date is rescheduled beyond October 2027. In order to be sanctioned by the Court, a scheme of arrangement or restructuring plan requires 75% by value and a majority in number (if a scheme) of those voting in each class to approve the scheme or plan, subject to the ability "cram down" a class of creditors in a restructuring plan in certain circumstances.

1.£73.5 million of the initial £1.5 billion committed facility has been deferred until the full super senior funding, including the accordion, has been drawn down as a result of relevant super senior creditors not participating in previous waiver processes. An amount equal to the deferred amount was requested for commitment from other super senior lenders as part of the accordion allocation process in February 2026.

Material accounting policy information (continued)

Going concern (continued)

TWUL has historically been subject to financial covenant ratio tests which monitor its interest cover and gearing. However, following the implementation of RP1, amendments have been made to TWUL'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'. During the Stable Platform Period, however, TWUL and TWUL Group have heightened reporting obligations to their secured creditors under the WBS structure and remain in a Trigger Event. TWUL 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 TWUL and TWUL Group had sufficient positive liquidity for a rolling 13-week period for any week that ended before 28 February 2026. Given 28 February 2026 has already passed, TWUL considers that the Minimum Liquidity Covenant should continue (to the extent required) to be considered as met through the Assessment Period.

The Stable Platform Period commenced on 25 February 2025 and will continue until the date of TWUL's earliest debt maturity (currently March 2027). TWUL expects to require an extension to the Stable Platform Period. If RP2 is not launched by 1 October 2026 (through filing of a claim form or issuance of a practice statement letter). This may require a scheme of arrangement or restructuring plan. As set out above, to be sanctioned by the Court, a scheme of arrangement or restructuring plan requires 75% by value and a majority in number (if a scheme) of those voting in each class of creditors to approve the scheme or plan, subject to the ability "cram down" a class of creditors in a restructuring plan in certain circumstances.

TWUL has received a letter of support from creditors representing in aggregate over £13 billion (82%) of TWUL's Class A Debt and over £1.6 billion (73%) of TWUL's Super Senior Debt, indicating that they intend to provide consents to allow the super senior facilities to continue to be drawn, the relevant maturities to be extended and the Stable Platform Period to be extended. The letter of support does not create legally enforceable rights but states the relevant creditors' present intentions. In addition, the consummation of these transactions is reliant on consent processes and Court processes which are outside of TWUL's control and which are also reliant on sufficient other creditors in the relevant classes providing their support. TWUL intends to discuss this support with its other creditors in the coming months. As such there remains a material uncertainty as to whether TWUL and therefore TWUL Group will have sufficient liquidity for the Assessment Period.

2. Recapitalisation Transaction

TWUL 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. Ofwat published its PR24 Final Determination ("FD") for TWUL on 19 December 2024 and TWUL has concluded that the FD is neither financeable nor investible. TWUL has also concluded that the increase in investment required during AMP8 brings challenges relating to deliverability, predominantly in the wastewater non-infrastructure area of TWUL's business. TWUL has worked to optimise its investment plan to allow it to deliver the maximum possible wastewater outputs within AMP8. However, TWUL 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").

TWUL commenced an equity raise process in the Summer of 2024. TWUL 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 the same five parties and one additional party on 10 February 2025. As part of the review of the revised non-binding proposals, a sub-committee of the Board of TWUL met regularly to consider these revised proposals and TWUL's financial adviser held clarificatory calls with, and received supplementary information from, the various parties. TWUL kept Ofwat updated throughout this process.

On 31 March 2025 TWUL 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. In parallel, the Company's senior creditors progressed work on an alternative proposal to recapitalise TWUL. 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. An alternative proposal from a consortium of TWUL's senior creditors, L&VW, was submitted at the same time in late May 2025.

Material accounting policy information (continued)

Going concern (continued)

Since June 2025, TWUL, L&VW, Ofwat and other regulators have been engaged in constructive discussions regarding the proposed turnaround, transformation and recapitalisation of TWUL for the benefit of customers, employees and the environment (the "L&VW Proposal").

On 16 March 2026 TWUL announced that L&VW had confirmed to Ofwat and TWUL its revised proposal for the turnaround, transformation and recapitalisation of Thames Water, following previous submissions in May and October 2025. Since March 2026 TWUL and L&VW have continued to engage with Ofwat and TWUL's other regulators and these discussions have remained constructive, with progress on key issues being made. On 15 June 2026 the Secretary of State for Environment, Food and Rural Affairs wrote to Ofwat, copying TWUL and L&VW, providing preliminary views in relation to the L&VW Proposal, including in respect of the protection of consumers' interests, the impact on the environment and consumers and the deferral of investments, and TWUL is working with L&VW and Ofwat to address those views.

TWUL has also increased its engagement with its financial stakeholders in relation to the L&VW Proposal and the support which would be required from them to implement it.

However, the L&VW Proposal is non-binding and remains subject to ongoing review by TWUL, Ofwat and other regulators, and is subject to further discussion with TWUL's financial stakeholders. As engagement remains ongoing, there is no certainty that the L&VW Proposal will be accepted nor that it will be finalised in its current form. At this stage, TWUL's Board has made no decision to accept and take forward the L&VW Proposal to implementation and Ofwat has not launched any public consultation in respect of the regulatory measures which form part of the L&VW Proposal. Furthermore, following assessment of responses to the public consultation Ofwat may decide not to adopt the regulatory measures in whole or in part which could affect the viability of the L&VW Proposal.

TWUL is also aware that it (and the UK water industry generally) face increased scrutiny from regulators and key stakeholders, including the UK Government and political parties and that there is currently a leadership election ongoing in respect of the Labour Party, which is expected to lead to a change in Prime Minister. Intervention by the UK Government in the water industry, or changes in governmental policy, both of which could crystalise at any stage and in the very near term, may affect TWUL's ability to deliver the L&VW Proposal, or any other third party, market-led solution.

In parallel with the above, TWUL announced on 14 February 2025 that it had asked Ofwat to refer the Final Determination to the CMA for a full redetermination. On 18 March 2025, TWUL 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, TWUL announced that it had agreed with Ofwat to further defer making the CMA reference until 22 October 2025 and, on 21 October 2025, TWUL 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.

TWUL 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.

If there is no agreement in relation to the L&VW Proposal and TWUL 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 and TWUL would need to have sufficient funding to be able to complete that process and any recapitalisation transaction which followed. There can be no assurance that the CMA would make a redetermination that is more investible or financeable than Ofwat's PR24 FD, or that TWUL would have sufficient funding to enable completion of the process. An unfavourable CMA determination could increase the risk of a special administration outcome.

As a result, there can be no certainty that TWUL will be able to achieve an investible and financeable PR24 outcome or that any recapitalisation transaction will raise sufficient (or any) funds to deliver the turnaround, transformation and recapitalisation of TWUL for the benefit of customers, employees and the environment.

Material accounting policy information (continued)

Going concern (continued)

Other considerations

There is continued risk of non-compliance with TWUL's instrument of appointment.

On 24 July 2024 Moody's downgraded TWUL's corporate family rating to Ba2 with negative outlook (from Baa3) and on 31 July 2024 Standard & Poor's downgraded TWUL's Class A debt by two notches to BB with negative outlook (from BBB- with credit watch negative previously). As a result, both ratings then fell below the requirements set out in Condition P26 of TWUL'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 it is in breach of Condition P26 of its Licence. A package of undertakings was accepted by Ofwat in which TWUL 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 TWUL'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. However, the Directors believe that TWUL is currently compliant with the undertakings.

On 28 May 2025, Ofwat issued two penalties to TWUL:

- a penalty notice for £18.2 million in respect of its finding of contravention by TWUL 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 TWUL 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 TWUL 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 TWUL represents; and

- an enforcement order which, among other things, required TWUL within 6 months to submit remediation plans to Ofwat, alongside a penalty notice which imposed a penalty of £104.5 million. On 28 November 2025, TWUL announced that it had submitted its remediation plans to Ofwat and in May 2026 TWUL provided its 6 monthly-update to Ofwat. As part of submitting these remediation plans, TWUL assessed the cost and timing of the capital investment required and identified significant costs which were not fully funded through the existing Final Determination. TWUL 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 TWUL.

On 27 August 2025, TWUL announced the agreement of a payment plan with Ofwat in respect of these penalties. Under this payment plan, TWUL 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 TWUL occurred under the Water Industry Act 1991, 30 days following TWUL's exit from special administration. On 22 September 2025, TWUL announced that its super senior creditors had approved the payment plan via a consent request process with a consent rate of over 99% (including deemed consents). TWUL has since paid the first instalment by the date on which it was due under the payment plan.

TWUL 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 for damages. In addition, the triennial valuation of each of TWUL's defined benefit pension schemes (TWPS and MIPS) with an effective date of 31 March 2025 has been under discussion between the pension trustee and the Company. It is a requirement under UK regulations that triennial valuations of this type must be finalised within a period of 15 months from their effective date. This

Material accounting policy information (continued)

Going concern (continued)

requirement has not been met in relation to TWPS (but has been met in relation to MIPS). Where an actuarial valuation is not completed by the legislative deadline, the Pensions Regulator may open an investigation and consider using its enforcement powers. No such investigation has been launched at this stage. The impact of these, including any potential future enquiries, investigations and litigation, could place restraints on the financial resources available to TWUL (and consequently the timeline available to complete the recapitalisation), potential returns to equity investors and further affect the investibility and financeability of TWUL.

In the event that TWUL 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 TWUL 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 to evaluate a Special Administration Order (including through a significant adverse operational event, depending on its severity). A petition could also be made if TWUL 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 related to the Company

Consequently, given the Company's clear dependency on the support of TWUL, the Directors have concluded that the material uncertainty disclosed for TWUL Group and TWUL in its Annual Report for 2025/26 is also applicable to the going concern assessment for the Company. As a result, these conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

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

Future standards and amendments

The Company is assessing the impact of the following new and amended standards, which have been issued:

IFRS 9 Recognition and derecognition of financial assets and liabilities (electronic cash payments)

The IASB has made amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7 to address diversity in accounting practice on the timing of de-recognition of financial liabilities settled through electronic payment systems. These amendments are effective for annual reporting periods beginning on or after 1 January 2026. Under the amendments financial liabilities are generally derecognised on settlement but provide an optional exception for earlier de-recognition if certain criteria are met.

The Company's current accounting policy choice is to de-recognise payables on payment initiation rather than settlement. Management have considered the impact of the amendments and will choose not to apply the exceptions. There will be no impact from a change in accounting policy choice on initial application of amendment at the 1 April 2026 given TWUL makes all payment on behalf of TWUF.

IFRS 9 Contracts referencing nature-dependent Electricity

The IASB has made targeted amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures to help companies improve on their disclosure of the financial effects of nature-dependent electricity contracts. These amendments are effective for annual reporting periods beginning on or after 1 January 2026 and provide specific reliefs for the application of own use and hedge accounting.

As at 31 March 2026 the Company does not hold any contracts that fall within the scope of this amendment. As a result, the impact on initial application of these amendments is expected to be immaterial to the financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 Presentation and Disclosure in Financial Statements, which replaces IAS 1 Presentation of Financial Statements, sets out a new presentation requirement for the statement of profit or loss, and provides new definitions

Material accounting policy information (continued)

Future standards and amendments (continued)

and disclosure related to non-IFRS performance measures. This standard is mandatory for annual reporting periods beginning on or after 1 January 2027. The Group will adopt IFRS 18 as at 1 April 2027 and apply the new rules retrospectively.

Management has considered the impact of IFRS 18 and expects the following impact on which further consideration is required:

- The format of the statement of profit or loss will change, and therefore further thought is required to determine if the current systems need to be adapted in order to comply with the new format per the standard.
- Management-defined performance measures (MPMs) will need to be disclosed within the financial statements as part of the new disclosure requirements, so consideration will need to be given regarding appropriate MPMs that increase the transparency of the Company’s financial statements. These will be disclosed in addition to alternative performance measures (APMs), unless the APM meets the definition of an MPM per IFRS 18.

IFRS 19 Subsidiaries without Public Accountability: Disclosures
IFRS 19 Subsidiaries without Public Accountability: Disclosures allows eligible subsidiaries to apply IFRS Accounting Standards with the reduced disclosure requirements of IFRS 19 and is effective from 1 January 2027.

A subsidiary may choose to apply the new standard in its consolidated, separate or individual financial statements provided that, at the reporting date:

- it does not have public accountability;
- its parent produces consolidated financial statements under IFRS Accounting Standards.

Management has considered the impact of IFRS 19 and have concluded that there is no impact on the Company, as it has public accountability.

Financial guarantee contracts

The Company is party to a number of financial guarantee contracts for the purposes of its principal activities. Prior to the adoption of IFRS 17, these contracts were not accounted for in the statement of financial position due to the likelihood of a payment in respect of the guarantee not being probable.

These arrangements include the WBS, where TWUHL guarantees obligations of the Company and TWUL; and the Company and TWUL guarantee the obligations of each other. Financial guarantee contracts were treated as a contingent liability until such a time as it became probable that the Company would be required to make a payment under the guarantee.

Following the transition to IFRS 17, the Company made the election to apply the requirements in IAS 32 ‘Financial Instruments: Presentation’, IFRS 7 ‘Financial Instruments: Disclosures’ and IFRS 9 ‘Financial Instruments’ to its financial guarantee contracts. These requirements include recognising the financial guarantees at fair value on initial application in the company standalone financial statements and then assessing the fair value (less amortisation recognised) against IFRS 9 expected credit losses at each reporting period.

Management have concluded that there is no material impact to the Company from the adoption of IFRS 17 on our financial guarantee contracts due to the Company's liabilities being matched with intercompany loans receivable from TWUL, meaning that the credit profile of the two companies is closely linked. All of the Company's external debt i.e. proceeds received, has been on lent to TWUL. Under IFRS 13, the fair value of a guarantee issued must take into account the guarantor’s risk of non-performance.

If TWUL were to default on its external borrowings, the Company is expected to be unable to fulfil any call under its guarantee of TWUL’s debt provided under the WBS, as the Company would be unlikely to be able to obtain funds to do so. The Company is reliant on TWUL's ability to settle its intercompany obligations to have access to additional cash. Therefore, even if the risk of an external default by TWUL increases, the fair value of the guarantee provided by the Company will not be material, taking into account the impact on the Company’s own performance.

Material accounting policy information (continued)

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 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 statement of financial position 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 debt restructuring costs of £nil (2025: £14.9 million) includes the fair value movement on consent fee derivatives, that were incurred to obtain consent from hedging counterparties for the changes to the terms of debt under the court-sanctioned restructuring plan, of £2.3 million (2025: £14.9 million), offset by fair value movement on the intercompany loan receivable from TWUL to fund the consent fee derivative settlements of £2.3 million (2025: £nil). These costs are considered exceptional in nature with additional significant expenditure to be incurred that is not in the ordinary course of the business.

Finance income and finance expense

Finance income represents the recharge to TWUL of costs, interest and accretion incurred in respect of the raising of finance on that company's behalf (including 0.10% margin as applicable), and amortisation of fair value related to intercompany receivables acquired on 31 August 2018 from a fellow group company. All interest and debt servicing costs are recharged to TWUL.

The Company's finance expense represents interest costs and accretion on borrowings, amortisation of borrowings related issuance costs and amortisation of fair value related to borrowings acquired on 31 August 2018, recognised on an accruals basis. Additionally, the finance expense recognised in the income statement includes the inflation adjusted interest accrued during the year, plus the inflation adjustment to the principal which occurred during the year.

Interest is accrued on a time basis by reference to the principal outstanding and the effective interest rate (EIR) applicable. The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. An exception to this is any interest income recognised on loans that are considered to be in stage 3 of the expected credit loss model under IFRS 9, where interest income is recognised by reference to the carrying balance net of expected credit losses. Interest income is presented within finance income in the Income Statement.

Non-derivative financial instruments

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity. Non-derivative financial instruments comprise cash and cash equivalents, intercompany loans receivable, borrowings, amounts owed by group undertakings, other financial liabilities and amounts payable in respect of group relief.

Cash and cash equivalents

Cash and cash equivalents represent cash at bank and in hand and deposits held at call with financial institutions, all of which are held at amortised cost, and money market funds held at fair value through profit or loss.

Intercompany loans receivable

Intercompany loans receivable are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. They are subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment. The amortisation is included within finance income in the income statement and is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

For loans that are repayable on demand, expected credit losses for impairment purposes are based on the assumption that repayment of the loan is demanded in full at the reporting date. This is because Paragraph B5.5.38 of IFRS 9 states the maximum period over which expected impairment losses should be measured is the longest contractual period where an entity is exposed to credit risk.

Material accounting policy information (continued)

Non-derivative financial instruments (continued)

The Company has considered the recoverability of the intercompany receivables as part of the annual impairment assessment under IFRS 9. Refer to significant accounting judgement and estimation – provision for expected credit losses on page 36 for further details.

Borrowings
Borrowings are financial liabilities recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition these are stated at amortised cost using the effective interest rate method. The amortisation is included within finance costs in the income statement and is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

An exchange or modification of borrowings with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of new financial liability, with any costs or fees incurred recognised as part of the gain or loss on the extinguishment. In the case of exchange or modification of borrowings without substantially different terms, the difference between net present value of existing contractual cash flows and modified contractual cash flows, both discounted at the original effective interest rate, is recognised as a modification gain or loss on the income statement.

The Company's accounting policy is to consider only quantitative factors when determining whether the terms are substantially different.

Amounts owed by group undertakings
Other financial assets include amounts owed by the immediate parent company TWUL and are recognised at amortised cost using the effective interest rate method.

Other financial liabilities
Other financial liabilities represent amounts owed to immediate parent company TWUL and bondholders, including facility related fees such as upfront costs, commitment fees payable and financing related accruals, and are recognised at amortised cost using the effective interest rate method.

Derivative financial instruments
Derivatives are used to manage exposure to movements in interest rates, foreign exchange rates and inflation. Derivatives are measured at fair value at each financial reporting date, using the methodology described in note 12.

Initially, recognition is at fair value, with transaction costs being taken to the Income Statement. Gains or losses on remeasurement to fair value are recognised immediately in the Income Statement within net gains/(losses) on financial instruments. Interest relating to derivative instruments are recognised in the Income Statement within finance income or finance expense as applicable.

The Company does not currently designate any financial instruments in hedge accounting relationships.

Financial assets and financial liabilities
Financial assets and financial liabilities are recognised and derecognised in the Company's statement of financial position on the settlement date when the Company becomes or ceases to be a party to the contractual provisions of the instrument.

Offsetting financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is currently, and in all circumstances, an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

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

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

Material accounting policy information (continued)

Taxation (continued)

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

Deferred taxation

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

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised only to the extent that it is probable that sufficient future taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

IBOR reform

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

The Company established a project to oversee the GBP LIBOR transition plan. This transition project included changes to systems, processes, risk and valuation models, as well as managing related tax and accounting implications. The transition has largely been completed, although some intercompany transactions have not yet transitioned. This is expected to be completed by 31 March 2027.

Refer to the IBOR reform section included in note 12 Financial instruments on page 57 for details of all of the financial instruments that the Company holds at 31 March 2026 with an interest rate linked to GBP LIBOR which have not yet transitioned to SONIA or an alternative interest rate benchmark.

Significant accounting judgements and key sources of estimation uncertainty

The preparation of annual financial statements requires the Company 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.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty for the year ended 31 March 2026 are contained in the sections below.

Accounting judgement and estimation – provision for expected credit losses

Management makes an estimate of the recoverable value of the loan receivables from TWUL in line with the provisions of IFRS 9. When assessing these receivables for expected credit losses, management considers factors driving recoverability such as the borrower's ability to pay, the credit rating, the 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 discussions with Ofwat regarding their Final Determination 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's restructuring plan, assumptions over equity and expected haircut on debt.

In accordance with the specific requirements of IFRS 9, the expected credit loss on the loan receivables from TWUL is determined by estimating the expected recoverability of these assets based on different scenarios considered by management, informed by available data. Two scenarios were considered in a multiple factor analysis by applying management's judgement to assign probabilities to possible outcomes regarding success of a market-led solution (i.e. creditors' plan) and the possibility of TWUL entering into a Special Administration Regime (SAR).

Material accounting policy information (continued)

Significant accounting judgements and key sources of estimation uncertainty (continued)
Accounting judgement and estimation – provision for expected credit losses (continued)

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 market-led solution, with new funding being received into TWUL.
- An unsuccessful market-led solution which results in SAR and funding being subsequently received into TWUL, but with a more negative impact on creditors of TWUL Group.

Any restructuring of debt will require the involvement of external parties and the Company expects that changes to internal debt arrangements will be linked to any changes in its external debt.

These include a scenario where £4.7 billion of the receivable is irrecoverable, and a scenario where £8.1 billion of the receivable is irrecoverable.

A successful market-led solution has been weighted as the most likely scenario. Under this scenario, it is assumed that equity flows to TWUL. Key assumptions under this scenario include that TWUL's enterprise value is at least equal to its net debt following a 30% Class A and 100% Class B debt haircut and regulatory concessions, it is able to secure equity and it recovers its investment grade ratings over time, eventually allowing for the resumption of dividends to its shareholders. This scenario is modelled on the detailed creditor plan submitted to Ofwat. Since this time government have challenged this plan with feedback for improvement, however, have not explicitly challenged the level of debt haircut proposed.

Under a less likely scenario where a market-led solution is unsuccessful, TWUL would enter into a Special Administration Regime (SAR). In this scenario, a larger credit loss of the receivable has been assumed, because of larger expected haircuts on the Company's external Class A and Class B debt.

Provisions for expected credit losses on intercompany receivables, which are detailed in note 9, total £5,536.1 million as at the year ended 31 March 2026 (2025: £4,083.3 million). An expected credit loss of £1,355.4 million (2025: £4,028.3 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. Further disclosures regarding expected credit losses can be found in note 7.

As at 30 September 2025, management 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 provided sufficient objective evidence to indicate that there were and continue to be 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.

Up until 30 September 2025, lifetime expected credit losses were recognised and interest income on the intercompany loans receivables was recognised in the period by applying the effective interest rate to the gross carrying amount of the financial asset. This is presented in the Finance income line on the Income Statement.

As at 30 September 2025, when the loans entered Stage 3, lifetime expected credit losses continued to be recognised and interest income on the intercompany loans receivable was recognised in the period by applying the effective interest rate to the amortised cost (gross carrying amount less the loss allowance) of the financial asset from 1 October 2025. This interest income is presented in the Finance income line on the Income Statement and is lower than the contractual interest income.

Expected credit losses recognised from the assessment performed as at 31 March 2026 are presented in the Expected credit losses on intercompany loan line on the Income Statement. This is the £1,355.4 million expected credit loss from the scenarios above.

Contractual interest income continues to accrue in accordance with the terms of the loans and is included in the gross carrying amount of the receivable with the difference reflected in the provision for expected credit loss.

Material accounting policy information (continued)

Accounting estimate – valuation of derivatives

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

- index-linked swaps;
- cross currency swaps; and
- consent fee derivatives (which are an integral part of index-linked 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 was an initial 3% fee payable in two equal instalments and then a 1% per annum fee payable semi-annually. The first 1.5% fee was paid on the first restructuring plan transaction effective date, 14 August 2025, which was the date when there was no longer an appeal risk on the court-approved restructuring plan. 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 the Company'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 understand 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 Company'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 cross currency swaps and index-linked swaps are measured using the discounted 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.

Material accounting policy information (continued)

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

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. Index-linked swaps rank higher than Class A debt and following the court-sanctioned restructuring plan, cross-currency swaps also rank higher than Class A debt. A super seniority adjustment is therefore applied in the valuation of all swaps, except for a Class A accretion agreement which is accounted for as a derivative but documented as a Class A instrument, so ranks alongside Class A debt and is valued by reference to the trading levels of Class A debt, using the weighted average trading price of a subset of Class A bonds.

In its valuation of its Level 3 derivatives, the Company uses observable market data as a starting point. The primary source of data is the trading spread of its Class A debt instruments. 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 the next reporting date, these data points and judgements will be 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 31 March 2026, an additional 647 basis points differential has been applied for near term maturities, reducing to a 637 basis point differential applied for longer term maturities from 5 years. This adjustment is a management judgement 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. Management considered the factors which could influence the pricing of the debt, including that the holders of the debt have priority allocations in any further issuance of super senior debt and that the debt would be due for early repayment, including a make-whole, at the time of any future holistic recapitalisation of TWUL. This analysis was used to derive a credit spread adjustment for the valuation of super senior swaps. This is an estimate by management, given a lack of any more appropriate data point in determining the credit spread for the Company's super senior instruments. 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 point 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. As at 31 March 2026 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 midway between Class A bond trading levels (c. 69%) and the maximum possible recovery rate of 100%. This recovery rate takes into account the higher ranking of the swaps versus Class A debt. At 31 March 2025 and 30 September a 85% recovery rate was also used for Thames Water risk. A recovery rate assumption of 35% to 40% has been used for swap counterparties at 31 March 2026, consistent with the prior reporting dates.

Management believe the assumptions used are reasonable, with the rationale set out above, although the credit related assumptions are not based on observable inputs. Management acknowledge that the interrelated assumptions on recovery rate and credit spread are significant assumptions 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:

- £13 million using the same credit spread assumption as described above, meaning a different probability of default is implied
- £23 million if the probability of default implied by the methodology described above is used, meaning a different credit spread assumption has been applied

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. They also have a break clause on 1

Material accounting policy information (continued)

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

April 2030 if a recapitalisation transaction has happened before that date (unless the Group's interest rate and index-linked hedge providers are a voting class in that transaction, Class A creditors do not vote on the transaction, or the hedge provider consents 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 considered to materially impact the valuations derived as described above.

The Class A accretion agreement which is accounted for as a derivative, 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 transactions may be subject to early repayment.

For consent fee derivatives, the timing of cash flows is linked to when the future recapitalisation is completed, the timing of when two investment grade credit ratings are achieved and whether break clauses will be exercisable. The cash flows themselves are dependent on the valuation of 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, although no sensitivities on these assumptions are presented given the relatively low proportion of the overall fair value of derivatives which consent fee derivatives represent. The use of unobservable inputs for every type of derivative means they have all been classified as Level 3.

The use of significant unobservable inputs, means that at 31 March 2026 all derivatives are classified as Level 3 which is the same classification as at 31 March 2025.

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

For the year ending 31 March 2026 there has been no movement in the categorisation of instruments which remain Level 3:

For the year ended 31 March Level 3 instruments[1]	2026 £m
Opening balance	(181.2)
Gains and losses recognised through profit or loss	30.2
Closing balance	**(151.0)**

1 The accounting policy is to transfer any fair value between fair value hierarchies (Level 1 – 3) at the end of each reporting period, being the statutory year end and half-year end.

For the year ended 31 March Level 2 instruments[1]	2025 £m
Opening balance	(257.8)
Transfers from Level 2 to Level 3 at 30 September 2024	282.0
Transfers from Level 2 to Level 3 at 31 March 2025	(13.0)
Gains and losses recognised through profit or loss	(11.2)
Closing balance	**-**

[1] The accounting policy is to transfer any fair value between fair value hierarchies (Level 1 – 3) at the end of the reporting period, being the statutory year end and half-year end.

Material accounting policy information (continued)

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

For the year ended 31 March	2025
Level 3 instruments[1]	£m
Opening balance	-
Transfers from Level 2 to Level 3 at 30 September 2024	(282.0)
Transfers from Level 2 to Level 3 at 31 March 2025	13.0
Gains and losses recognised through profit or loss	87.8
Closing balance	**(181.2)**

[1] The accounting policy is to transfer any fair value between fair value hierarchies (Level 1 – 3) at the end of the reporting period, being the statutory year end and half-year end.

The net total of derivative financial assets and liabilities as at 31 March 2026 was a liability of £151.0 million (2025: a liability of £181.2 million) of which £9.5 million (2025: £14.9 million) was the consent fee derivatives element. The valuation if no credit and any other adjustment is applied is £199.7 million net liability (2025: £228.2 million net liability).

The credit and any other adjustment is £48.7 million (2025: £47.0 million). Credit risk sensitivity analysis is included in note 12.

Refer to note 12 for more information on the key assumptions and sensitivities of the financial instruments.

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 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, two index-linked swaps with a total notional value of £200 million were restructured and extended to 2039. 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 £22.2 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 is recognised in the Income Statement on a straight-line basis over the life of the underlying derivative instrument.

Unobservable inputs in the valuation of these swaps at 31 March 2026 mean that they remain categorised at Level 3. As at 31 March 2026, £14.9 million (2025: £15.8 million) remained capitalised within derivative financial liabilities and £0.9 million had been recognised in the Income Statement within net gains/(losses) on financial instruments (2025: £1.2 million).

Seasonality and cyclic nature of operations
Management have assessed the impact of any seasonality on the operations of the business and concluded that there is no impact.

Notes to the financial statements

1. Administrative expenses

Administrative expenses

For the year ended 31 March	2026 £m	2025 £m
Auditors' remuneration	0.3	0.2
Total	**0.3**	**0.2**

Auditors' remuneration

The remuneration of the auditors', PricewaterhouseCoopers LLP, of £210,000 was charged to the Company in the current year. In the prior year, the auditors' remuneration was £202,260. The total amount payable relating to the Company was:

For the year ended 31 March	2026 £m	2025 £m
Fees payable to the auditors		
Statutory audit fees	0.2	0.1
Fees payable to the auditors for other services		
Audit related assurance services	0.1	0.1
Total	**0.3**	**0.2**

Other assurance services in both the current and preceding financial year includes amounts payable for the review of the Company's interim financial statements. In the preceding financial year agreed upon procedures in relation to financial covenant calculations were also included. No other fees were payable to PricewaterhouseCoopers LLP in respect of this Company during the year (2025: £nil).

2. Employees and Directors

Employees

The Company had no employees during the year (2025: none).

Employees

During the year, the Company had 7 Directors (2025: 7 Directors) who are all Executive Directors and received no remuneration in respect of their services to the Company, in both the current and preceding financial year. There were no retirement benefits accruing in either the current or preceding financial year. The services provided by the Directors to the Company is inconsequential to the services provided by the Directors to TWUL, hence there is no recharge for the Directors' remuneration from TWUL.

3. Segmental analysis

The Company's income and results arise solely in the United Kingdom and are attributable to one principal activity of the Company, being the raising of finance and subsequent lending of debt to TWUL. Consequently, the Directors review the financial information of the Company as a whole and therefore have not included segmental analysis within these financial statements.

Notes to the financial statements (continued)

4. Finance income

For the year ended 31 March	2026 £m	2025 £m
Interest receivable on intercompany loans receivable[1]	598.1	672.0
Other finance fees recharged to TWUL	0.4	0.8
Net interest (expense)/ income on swaps	(10.2)	12.9
Interest income on bank deposits	0.1	0.1
Exceptional debt restructuring recharges from TWUL[2]	-	105.1
Total	**588.4**	**790.9**

[1]Management assessed that intercompany loan receivables from TWUL were in stage 3 of the expected credit loss model at 30 September 2025. As a result, interest income has been recognised on a net carrying value in the Income Statement for the period 1 October 2025 to 31 March 2026. This interest still accrued in the period and unrecognised interest income of £97.4 million (2025: £nil) forms part of the movement in the Provision for expected credit losses in note 9.

[2]Exceptional debt restructuring recharges to TWUL of £nill (2025: £105.1 million) related to:

- Exceptional financing costs of £nil (2025: £90.2 million) outlined in note 5. The Company's portion of these fees were deemed settled on the issuance of consent fee debt in TWUL.
- Exceptional financing costs in relation to consent fee derivatives of £nil (2025: £14.9 million), which are explained further in note 6 that will be funded by TWUL, and for which an intercompany receivable has been recognise.

5. Finance expense

For the year ended 31 March	2026 £m	2025 £m
Interest expense on borrowings	643.5	632.7
Other finance fees	0.4	0.9
Exceptional debt restructuring costs[1]	-	90.2
Total	**643.9**	**723.8**

[1] Exceptional debt restructuring costs of £nil (2025: £90.2 million) relate to the Company's portion of consent fees that were incurred to obtain consent from creditors for the insertion of the super senior facility and to extend all debt maturities by 2 years, payable at the end of the stable platform period. These costs were settled on behalf of the Company by TWUL by the issuance of consent fee debt.

6. Net losses/(gains) on financial instruments

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

For the year ended 31 March	2026 £m	2025 £m
Net exchange losses/(gains) on foreign currency borrowings and intercompany loans receivables	92.6	(65.7)
Net (gains)/losses arising on swaps where hedge accounting is not applied[1]	(24.3)	48.1
Exceptional debt restructuring costs[2]	-	14.9
Net losses/(gains) on financial instruments	**68.3**	**2.7**

[1] Net (gains)/losses arising on swaps where hedge accounting is not applied primarily reflects higher interest rate expectations and RPI expectations partially offset by the impact of EUR to GBP FX rate movements on cross currency swaps. The amount includes the fair value of £35.8 million (2025: £30.4 million) accreted on index-linked swaps during the year.

[2] Exceptional debt restructuring costs of £nil (2025: £14.9 million) includes the fair value movement on consent fee derivatives, that were incurred to obtain consent from hedging counterparties for the changes to the terms of debt under the court-sanctioned restructuring plan, of £2.3 million (2025: £14.9 million), offset by fair value movement on the intercompany loan receivable from TWUL to fund the consent fee derivative settlements of £2.3 million (2025: £nil). These costs are considered exceptional in nature with additional significant expenditure to be incurred that is not in the ordinary course of the business.

7. Expected credit losses on intercompany loans

For the year ended 31 March	2026 £m	2025 £m
Expected credit loss on intercompany loans from Thames Water Utilities Limited	1,355.4	4,028.3
Total	**1,355.4**	**4,028.3**

Notes to the financial statements (continued)

7. Expected credit losses on intercompany loans (continued)

The Company has intercompany loans receivable due from Thames Water Utilities Limited, totalling £14,772.5 million (2025: £14,654.2 million) in book value, together with accrued interest of £399.6 million (2025: £406.2 million).

Intercompany loans entered stage 3 of the expected credit loss model at 30 September 2025. As a result, interest income was recognised on a net carrying value from 1 October 2025 to 31 March 2026 as detailed in note 4. Accrued interest income continued to be recognised on a gross carrying amount with the difference reflected directly in the provision for expected credit loss as detailed in note 9.

The expected credit loss recognised in this note and presented on the Income Statement of £1,355.4 million (2025: £4,028.3 million) represents additional expected credit losses following an analysis in line with IFRS 9 of the intercompany receivables loans as at the reporting period. This has been recognised in the Income Statement as an exceptional item, due to its size and as these expected credit losses are not as a result of the ordinary course of business. Refer to the intercompany loan receivable significant accounting judgement on page 36 for further details on this expected credit loss.

8. Tax (credit)/charge on loss/(profit)

For the year ended 31 March	2026 £m	2025 £m
Current tax:		
Amounts payable in respect of group relief – prior periods	-	(2.9)
Current tax subtotal	-	(2.9)
Deferred tax:		
Origination and reversal of timing differences	(22.9)	3.8
Deferred tax subtotal	(22.9)	3.8
Tax (credit)/ charge on loss/(profit) on ordinary activities	(22.9)	0.9

The tax credit (2025: charge) for the year is lower (2025: higher) than the standard rate of corporation tax in the UK of 25% (2025: 25%). The differences are explained below:

For the year ended 31 March	2026 £m	2025 £m
Loss on ordinary activities before tax	(1,479.5)	(3,958.7)
Corporation tax credit at 25% (2025: 25%) on loss on ordinary activities	(369.9)	(989.6)
Effects of:		
Movement in fair value of derivatives subject to initial recognition exemption	(14.4)	(4.5)
Transfer pricing adjustment	0.4	0.4
Amortisation of fair value uplift of loans	1.5	3.0
Foreign exchange gain on fair value uplift	0.1	0.2
Net impairment losses	363.2	1,007.1
Adjustment in respect of prior periods – current tax	-	(2.9)
Group relief received for no payment	(3.8)	(12.8)
Total tax (credit)/charge for the year	(22.9)	0.9

The Company has considered its position under the OECDs Global Anti-Base Erosion Model Rules (Pillar Two) and the UK's implementation of Multinational Top-up Tax and Domestic Top-up Tax legislation. While the Company is of sufficient size that it will be required to make filings in compliance with these rules for FY26, no material liability to top-up tax (either multinational or domestic) is expected to arise.

Notes to the financial statements (continued)

9. Intercompany loans receivable

As at 31 March	2026[1] £m	2025[1] £m
Amounts owed by group undertakings		
Thames Water Utilities Limited	14,772.5	14,654.2
Interest receivable on amounts owed by group undertakings		
Thames Water Utilities Limited[2]	399.6	406.2
Impairment on amounts owed by group undertakings		
Expected credit loss provision	(5,536.1)	(4,083.3)
Total	**9,636.0**	**10,977.1**
Disclosed within non-current assets	9,236.4	10,570.9
Disclosed within current assets	399.6	406.2

[1] There are no amounts past their due by dates.
[2] Included within interest receivable on amounts owed by group undertaking of £399.6 million (2025: £406.2 million) is £9.5 million (2025: £14.9 million) relating to the consent fee derivatives recognised in connection with the debt restructuring, for which payments will be settled by TWUL on behalf of the Company when they fall due.

On 31 August 2018, intercompany loans receivable previously held by Thames Water Utilities Cayman Finance Limited (TWUCF) were transferred to the Company, at fair value. As at 31 August 2018, the fair value of the intercompany loans receivable transferred was £8,064.1 million, representing a fair value uplift of £1,653.9 million on the original book value held by TWUCF. During the year ended 31 March 2026, the fair value uplift amortisation of intercompany loans receivable was £47.5 million (2025: £51.3 million) and the unamortised fair value of the intercompany loans receivable as at 31 March 2026 was £6,473.8 million (2025: £6,521.3 million)

Intercompany loans receivable are held at amortised cost, with the exception of £9.5 million due from TWUL to fund the settlement of consent fee derivatives. Terms of the intercompany loans receivable reflect the terms of the relevant external borrowing and any relevant swaps, although a small minority of external transactions are not perfectly matched with intercompany transactions. These external transactions include two index-linked swaps with £100.0 million notional each, that were restructured in November 2019, where the relevant intercompany loans have matured or are not perfectly matched with external swaps. Furthermore, there are two additional index-linked swaps (with £200.0 million notional and £100.0 million notional) where the relevant intercompany loans are not perfectly matched with the external swaps. The mismatch results in the interest and accretion recharged to TWUL through intercompany transactions not being fully aligned with the interest and accretion charged on the external debt and swaps. However, there is no material credit impact for the Company as a result of the mismatches.

The Company is part of the Securitisation Group (refer to Review of the business and strategy section on page 2), the payment of all amounts owing in respect of the external debt issued by any company in the Securitisation Group is unconditionally and irrevocably guaranteed by all remaining companies within the Securitisation Group. The Company and TWUL, do not guarantee TWUHL obligations as part of this arrangement.

The provision for expected credit loss of £5,536.1 million (2025: £4,083.3 million) was recognised under Stage 3 per IFRS 9 as disclosed in note 9, included in this balance is an amount of £97.4 million (2025: £nil) which relates to unrecognised interest income for the period 1 October 2025 to 31 March 2026.

Refer to the intercompany loans receivable significant accounting judgement on page 36 for further details on the provision for expected credit loss.

Notes to the financial statements (continued)

10. Amounts owed by group undertakings

As at 31 March	2026 £m	2025 £m
Amounts owed by group undertakings		
Thames Water Utilities Limited	126.6	121.4
	126.6	121.4

As at 31 March 2026, £126.6 million (2025: £121.4 million) was recognised within amounts owed by group undertakings relating to amounts owed by TWUL, of which £126.2 million (2025: £120.6 million) reflects interest received by TWUL on behalf of the Company in relation to restructured swaps.

11. Borrowings

As at 31 March	2026 £m	2025 £m
Secured bank loans and private placements	1,917.2	1,921.4
Bonds	12,319.0	12,122.8
Amounts owed to group undertakings	-	289.2
	14,236.2	14,333.4
Interest payable on borrowings	321.6	336.0
Amounts owed to group undertakings	285.8	-
Total	14,843.6	14,669.4
Disclosed within non-current liabilities	14,236.2	14,333.4
Disclosed within current liabilities	607.4	336.0
Total	14,843.6	14,669.4

Debt issued by the Company matures between 2027 and 2064 and certain of the debt instruments contain make-whole clauses applicable on acceleration or early repayment. The Company uses derivatives to swap some fixed rate debt to index-linked debt, which is on-lent to TWUL, a regulated utility company and the immediate parent company with index-linked revenues. Additional disclosures on the derivatives have been provided in note 12.

TWUL and TWUHL have guaranteed the principal and interest payments due under the terms of the bonds, secured loans and private placements issued by the Company.

Amounts owed to group undertakings are loans from TWUL and interest is charged at a floating rate in both the current and preceding financial year.

Breakdown of secured bank loans and private placements:

As at 31 March	**2026 £m**	2025 £m
$106.0m 4.070% private placement due 2026 (b), (e), (f)	**80.3**	82.0
$250.0m 4.220% private placement due 2027 (b), (f), (g)	**189.0**	192.4
$131.0m 4.270% private placement due 2029 (b), (e), (f)	**99.1**	101.2
€50.0m 2.100% private placement due 2030 (b), (e), (f)	**43.6**	41.7
£200.0m Class B floating rate loan due 2026 (d), (e), (f)	**199.4**	199.3
£150.0m floating rate loan due 2025 (a), (d), (f)	**150.0**	150.0
£260.0m floating rate loan due 2025 (a), (d), (f)	**260.0**	260.0
£280.0m floating rate loan due 2025 (a), (d), (f)	**280.0**	280.0
£250.0m floating rate loan due 2025 (a), (d), (f)	**250.0**	250.0
£365.0m floating rate loan due 2025 (a), (d), (f)	**365.8**	364.8
Total secured bank loans and private placements	**1,917.2**	1,921.4

Notes to the financial statements (continued)

11. Borrowings (continued)

All loans and private placements are Class A except where highlighted.

a) The interest margins of these loans are based on (i) a ratings grid and will increase should the Company's senior debt credit rating be downgraded by both S&P and Moody's; and (ii) the Group's GRESB Score.
b) The Securitisation Group has entered into cross currency swap agreements which convert this debt into sterling debt. Hedge accounting is not applied.
c) The interest margin of this loan is based on a ratings grid and varies depending on the senior debt credit rating of the Company as assigned by both S&P and Moody's.
d) These loans' interest rates are based on SONIA (Sterling Overnight Index Average).
e) These loans and private placements are shown net of issuance costs.
f) On 25 February 2025 all debt had their maturity dates extended by two years, and all undrawn Revolving Credit Facility (RCF) facilities were cancelled and those drawn were converted to Term loans. However, the maturity dates will revert to the original maturity date if TWUL Group meets investment grade with two rating agencies, amongst other requirements. The maturity dates in the table above reflect the original maturity date, although classification is based on the revised maturity date.
g) Transferred to TWUF from TWUCF at fair value on 31 August 2018.

Breakdown of bonds:

As at 31 March	2026 £m	2025 £m
£330.0m 6.750% fixed rate bond due 2028 (f), (h)	**329.0**	328.7
£200.0m 6.500% fixed rate bond due 2032 (f), (h)	**198.7**	198.6
£600.0m 5.125% fixed rate bond due 2037 (f), (h)	**597.4**	597.3
£300.0m 1.680% index-linked bond due 2053 (b), (f), (h)	**628.4**	599.4
£300.0m 1.681% index-linked bond due 2055 (b), (f), (h)	**628.4**	599.4
£300.0m 4.375% fixed rate bond due 2034 (f), (h), (i)	**325.7**	328.5
¥20.0bn 3.280% fixed rate bond due 2038 (f), (g), (h), (i)	**114.4**	125.8
£50.0m 3.853% index-linked bond due 2040 (c), (f), (i)	**118.6**	118.2
£500.0m 5.500% fixed rate bond due 2041 (f), (h), (i)	**619.4**	625.6
£50.0m 1.980% index-linked bond due 2042 (b), (f), (h), (i)	**120.4**	117.9
£55.0m 2.091% index-linked bond due 2042 (b), (f), (h), (i)	**128.7**	126.4
£40.0m 1.974% index-linked bond due 2045 (b), (d), (f), (h), (i)	**64.4**	63.5
£300.0m 4.625% fixed rate bond due 2046 (f), (h), (i)	**356.0**	357.9
£100.0m 1.846% index-linked bond due 2047 (b), (f), (h), (i)	**247.6**	242.2
£200.0m 1.819% index-linked bond due 2049 (b), (f), (h), (i)	**499.9**	488.7
£200.0m 1.771% index-linked bond due 2057 (b), (f), (h), (i)	**499.0**	486.5
£350.0m 1.760% index-linked bond due 2062 (b), (f), (h), (i)	**858.4**	835.0
£500.0m (now £314.5m) 4.000% fixed rate due 2025 (e), (f), (h), (i)	**314.4**	315.4
£40.0m 0.750% index-linked bond due 2034 (b), (f), (h), (i)	**65.7**	63.8
£45.0m 0.721% index-linked bond due 2027 (b), (f), (h), (i)	**71.2**	69.1
£300.0m 3.500% fixed rate bond due 2028 (f), (h), (i)	**302.9**	304.4
£400.0m 7.738% fixed rate bond due 2058 (f), (h), (i)	**709.7**	714.8
£250.0m 2.625% fixed rate bond due 2032 (f), (h), (i)	**242.4**	241.3
£250.0m 2.875% Class B fixed rate bond due 2027 (f), (h), (i)	**248.5**	247.1
£350.0m 2.375% fixed rate bond due 2040 (f), (h)	**346.8**	346.6
£40.0m 2.442% fixed rate bond due 2050 (f), (h)	**39.9**	39.9
$57.0m 2.060% fixed rate bond due 2030 (a), (f), (h)	**43.0**	44.0
$40.0m 1.604% fixed rate bond due 2027 (a), (f), (h)	**30.3**	30.9
€575.0m 0.875% fixed rate bond due 2028 (a), (f), (h)	**500.9**	479.8
€575.0m 1.250% fixed rate bond due 2032 (a), (f), (h)	**497.4**	476.2
€650.0m 4.000% fixed rate bond due 2027 (a), (f), (h)	**566.0**	541.5
€1.0bn 4.375% fixed rate bond due 2031 (a), (f), (h)	**870.2**	833.9
£300.0m 8.250% fixed rate bond due 2040 (f), (h)	**294.8**	294.6
£275.0m 7.125% fixed rate bond due 2031 (f), (h)	**272.5**	272.1
£575.0m 7.750% fixed rate bond due 2044 (f), (h)	**568.0**	567.8
Total bonds	**12,319.0**	12,122.8

All loans and private placements are Class A except where highlighted.

a) The Company has entered into a cross currency swap which converts this debt into a sterling debt. Hedge accounting is not applied.
b) The value of the capital and interest elements of the index-linked debt is linked to movements in the Retail Price Index (RPI).
c) This is a Limited Price Index (LPI) bond. Accretion is calculated using an adjusted UK Retail Price Index.
d) The bond amortises semi-annually between October 2015 and October 2045 in accordance with a published schedule, with these amortisation dates extended by two years from 25 February 2025.

Notes to the financial statements (continued)

11. Borrowings (continued)

e) In January 2024, the Group repurchased £185.5 million principal (out of the £500.0 million external debt principal due in 2025) at a £7.0 million discount.
f) On 25 February 2025 all debt had their maturity dates extended by two years, and all RCF facilities were cancelled or converted to Term loans. However, the maturity dates will revert to their original maturity dates if TWUL Group achieves investment grade with two rating agencies. As discussed on pages 25 to 32, there is significant judgement on when TWUL Group will meet investment grade. The maturity dates in the table above reflect the original maturity date, although classification is based on the revised maturity date.
g) In January 2026 the counterparty to the JPY swap hedging the JPY bond exercised a mandatory break clause and the swap was settled. At 31 March 2026, there remains an externally unhedged foreign currency exposure to JPY in the Company, although there is an offsetting JPY intercompany loan to TWUL.
h) These bonds are shown net of issuance costs.
i) Transferred to TWUF from TWUCF at fair value on 31 August 2018.

Amounts owed to group undertakings:

As at 31 March	2026 £m	2025 £m
£200.0m floating rate loan due 2039 (a), (b)	**200.0**	200.0
£100.0m floating rate loan due 2060 (a), (b)	**85.8**	89.2
Total amounts owed to group undertakings	**285.8**	289.2

a) This is an intercompany loan due to Thames Water Utilities Limited, the immediate parent company, repayable on demand. On 25 February 2025 its terms changed such that it is no longer repayable on demand so long as the Company 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).
b) Interest on the loans from TWUL is documented as being at a floating rate (LIBOR plus a margin) in both the current and preceding financial year but in line with the GBP LIBOR transition plan, the accruals have been calculated using SONIA plus a margin (refer to IBOR reform section on page 67 for more information).

12. Financial instruments

Categories of financial instruments

The table below sets out the carrying value of financial instruments held at fair value as at 31 March 2026 and 31 March 2025:

Financial assets:

As at 31 March	2026 £m	2025 £m
Fair value through profit and loss: [1]		
Cross currency swaps	80.1	55.9
Cash and cash equivalents – money market funds	1.4	1.4
Intercompany loans receivable[2]	9.5	-
	91.0	57.3
Amortised cost:		
Cash and cash equivalents – cash at bank and in hand	0.1	-
Amounts owed by group undertakings	126.6	121.4
Intercompany loans receivable	9,626.5	10,977.1
	9,753.2	11,098.5
Total	9,844.2	11,155.8

[1] The fair value of derivative financial instruments is measured using discounted cash flows of all the transactions within each netting set. The future cash flows are estimated based on observable forward interest and inflation rates and future fair values are estimated under a wide range of market scenarios and discounted at a rate that reflects credit risk of the Company and the counterparties.
[2] £9.5 million relates to the receivable from TWUL to fund the settlement of the consent fee derivatives. Due to the nature of underlying payments relating to fair values, the receivable fails the Solely Payments of Principal and Interest (SPPI) test and has been classified as fair value through profit and loss.

Notes to the financial statements (continued)

12. Financial instruments (continued)

Financial liabilities:

As at 31 March	2026 £m	2025 £m
Fair value through profit and loss: [1]		
Index-linked swaps	(220.3)	(179.3)
Cross currency swaps	(1.3)	(42.9)
Consent fee derivative[2]	(9.5)	(14.9)
	(231.1)	**(237.1)**
Amortised cost:		
Borrowings[3]	(14,843.6)	(14,669.4)
Other financial liabilities	(1.0)	(2.2)
	(14,844.6)	**(14,671.6)**
Total	**(15,075.7)**	**(14,908.7)**

[1] The fair value of derivative financial instruments is measured using expected future cash flows of all the transactions within each netting set. The future cash flows are estimated based on observable forward interest and inflation rates and future fair values are estimated under a wide range of market scenarios and discounted at a rate that reflects credit risk of the Company and the counterparties.
[2] Consent fee derivatives were entered into as part of the February 2025 restructuring in order to obtain consent from index-linked swap counterparties for the insertion of the super senior facility and extension of the debt and are integral to the related index-linked swaps. The fees are considered integral to the original swap as the cashflows depend on their mark to market. Therefore, the swap fees and original swap are a single unit of account. There have been presented separately to reflect the impact of the restructuring.
[3] Borrowings are level 2 with the exception of publicly traded underlying liquid bonds which are Level 1 (2025: Level 1). All derivatives are Level 3 (2025: Level 3).

Fair value measurements

Refer to significant accounting judgements and key sources of estimation uncertainty on pages 38 to 41 for details of the fair value measurements methodology and the classification of all derivative instruments as Level 3 for the Company.

The net total of derivative financial assets and liabilities as at 31 March 2026 was a liability of £151.0 million (31 March 2025: a liability of £181.2 million). Refer to the material accounting policy information on pages 38 to 41 for more information on the key assumptions.

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 31 March 2026:

	Level 3[1]	
As at 31 March	2026 £m	2025 £m
Financial assets – derivative financial instruments		
Cross currency swaps[2]	80.1	55.9
	80.1	55.9
Financial liabilities – derivative financial instruments		
Index-linked swaps	(220.3)	(179.3)
Cross currency swaps	(1.3)	(42.9)
Consent fee derivatives	(9.5)	(14.9)
	(231.1)	(237.1)
Net total	**(151.0)**	(181.2)
Disclosed within current assets	28.7	-
Disclosed within non-current assets	51.4	55.9
Disclosed within current liabilities	(1.3)	-
Disclosed within non-current liabilities	(229.8)	(237.1)

[1] The fair value of derivative financial instruments, including 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 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 TWUL Group and the counterparties.

Notes to the financial statements (continued)

12. Financial instruments (continued)

[2] Cross currency swaps, and index-linked swaps are Level 3 (2025: Level 3). Consent fee derivatives were issued in the prior year as part of the court-sanctioned restructuring plan. These are considered integral to the original swap and also Level 3. These have been presented separately to reflect the impact of the restructuring.

Comparison of fair value of financial instruments with their carrying amounts

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

Financial assets:

As at 31 March	2026		2025	
	Book value	Fair value	Book value	Fair value
	£m	£m	£m	£m
Non-current				
Intercompany loans receivable	9,236.4	8,500.8	10,570.9	9,194.4
Derivative financial instruments				
Cross currency swaps	51.4	51.4	55.9	55.9
	9,287.8	8,552.2	10,626.8	9,250.3
Current				
Intercompany loans receivable	399.6	399.6	406.2	406.2
Cash and cash equivalents – money market funds	1.4	1.4	1.4	1.4
Cash and cash equivalents – cash at bank and in hand	0.1	0.1	-	-
Derivative financial instruments				
Cross currency swaps	28.7	28.7	-	-
Amounts owed by group undertakings	126.6	126.6	121.4	121.4
	556.4	556.4	529.0	529.0
Total	9,844.2	9,108.6	11,155.8	9,779.3

Financial liabilities:

As at 31 March	2026		2025	
	Book value	Fair value	Book value	Fair value
	£m	£m	£m	£m
Non-current				
Borrowings				
Secured bank loans and private placements	(1,917.2)	(1,196.6)	(1,921.4)	(1,328.7)
Bonds	(12,319.0)	(7,343.3)	(12,122.8)	(8,383.2)
Amounts owed to group undertakings	-	-	(289.2)	(289.2)
Derivative financial instruments				
Index linked swaps	(220.3)	(220.3)	(179.3)	(179.3)
Cross currency swaps	-	-	(42.9)	(42.9)
Consent fee derivatives	(9.5)	(9.5)	(14.9)	(14.9)
Other financial liabilities	(0.3)	(0.3)	(0.8)	(0.8)
	(14,466.3)	(8,770.0)	(14,571.3)	(10,239.0)
Current				
Borrowings				
Interest payable	(321.6)	(321.6)	(336.0)	(336.0)
Amounts owed to group undertakings	(285.8)	(285.8)	-	-
Derivative financial instruments				
Cross currency swaps	(1.3)	(1.3)	-	-
Other financial liabilities	(0.7)	(0.7)	(1.4)	(1.4)
	(609.4)	(609.4)	(337.4)	(337.4)
Total	(15,075.7)	(9,379.4)	(14,908.7)	(10,576.4)

Notes to the financial statements (continued)

12. Financial instruments (continued)

Intercompany loans receivable
The fair value of intercompany loan receivable represents the fair value of the underlying debt and associated derivative, adjusted for accrued interest receivable. These fair values are level 2 and based on the outstanding nominal value to which the weighted average price of publicly traded liquid bonds of the same ranking is applied.

Borrowings
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.

Money market funds
Money market funds have a fair value which is a level one fair value measurement, as this is determined by utilising unadjusted quoted prices in active markets as at the balance sheet date.

Capital risk management
Capital risk primarily relates to whether the Company is adequately capitalised and financially solvent. The Board reviews the Company's exposure to these risks and actively oversees the treasury activities, reviewing the treasury policy and approving the treasury strategy and funding plan.

The TWUL Group's key objectives in managing capital are

- To maintain a broad portfolio of debt, diversified by source and maturity
- To regain and maintain TWUL Group's investment grade credit rating
- To provide liquidity sufficient to fund ongoing obligations for a minimum 15-month forward period on an ongoing basis
- To maintain TWUL's customer bills at a level that is both affordable and sustainable

It is recognised that at the date of signing the financial statements, the TWUL Group is not meeting its objectives to maintain a minimum of 15-months' liquidity. The going concern section provides further information on the assessment of access to funding and liquidity.

The Company's key objectives in managing its capital is to match its external outgoings with internal incomings from its parent, TWUL

The details of the Securitisation Group's capital structure are included within TWUL's financial statements, which may be obtained from the Company Secretary's Office at the address included in note 17. The capital structure of the Company consists of net debt and equity as follows:

As at 31 March	2026 £m	2025 £m
Secured bank loans and private placements	(1,917.2)	(1,921.4)
Bonds	(12,319.0)	(12,122.8)
Amounts owed to group undertakings	(285.8)	(289.2)
Interest payable on borrowings	(321.6)	(336.0)
	(14,843.6)	(14,669.4)
Cash and cash equivalents	1.5	1.4
Net debt (statutory basis)	**(14,842.1)**	(14,668.0)
Equity attributable to the owners of the Company	(5,199.6)	(3,743.0)

Notes to the financial statements (continued)

12. Financial instruments (continued)

Reconciliation of liabilities arising from financing activities

The reconciliation below between the opening and closing balances for liabilities arising from financing activities evaluates both changes in liabilities arising from cash flow and non-cash changes.

As at 31 March	2026		2025	
	Borrowings	Net derivative financial (liabilities)/ assets	Borrowings	Net derivative financial (liabilities)/ assets
	£m	£m	£m	£m
Opening balance	(14,669.4)	(181.2)	(14,853.9)	(257.8)
Non-current	(14,333.4)	(181.2)	(14,006.8)	(120.7)
Current	(336.0)	-	(847.1)	(137.1)
Cash flows				
New loans raised	-	-	(365.8)	-
Repayment of borrowings[1]	-	-	633.1	-
Payment for derivative settlement[2]	-	3.2	-	146.6
Interest paid	546.6		463.3	-
Interest received	-	(10.5)	-	(7.0)
	546.6	(7.3)	730.6	139.6
Non-cash changes				
Interest accrued/fees amortised	(532.1)	10.9	(536.8)	-
Foreign exchange movement	(81.6)	-	67.3	-
Indexation	(142.8)	-	(109.8)	-
Amortisation of transfer from group companies[3]	35.7	-	33.2	-
Fair value changes[4]	-	26.6	-	(63.0)
	(720.8)	37.5	(546.1)	(63.0)
Closing balance	**(14,843.6)**	**(151.0)**	(14,669.4)	(181.2)
Non-current	(14,236.2)	(178.4)	(14,333.4)	(181.2)
Current	(607.4)	27.4	(336.0)	-

[1] New loans are shown net of fees of £nil (2025: £nil)
[2] Payment for derivative settlement of £3.2 million (2025: £146.6 million) includes £nil million (2025: £143.5 million) relating to net accretion paydown on index-linked swaps and £nil million (2025: £3.1 million) relating to settlement of cross currency swaps and £3.2 million relating to consent fee derivatives (2025: £nil)
[3] On 31 August 2018, the debt and derivative instruments previously held by Thames Water Utilities Cayman Finance Limited (TWUCF) were transferred to the Company, at fair value. As at 31 August 2018, the fair value of the debt liability transferred was £7,853.5 million, representing a fair value uplift on debt of £1,410.7 million on the original book value held by TWUCF. Fair value of the derivatives liability transferred was £94.4 million. Amortisation on transfer from group companies only relates to the debt liability transferred.
[4] Included in this value is £2.3 million gain (2025: £14.9 million loss) relating to the fair value movement on consent fee derivatives, this is an exceptional item that is offset by the fair value movement on the loan due from TWUL to fund the settlement of the derivative.

Financial risk management

The Company's activities expose it to a number of financial risks: market risk (including interest rate risk, exchange rate risk and inflation risk), credit risk and liquidity risk. A detail of the nature of each of these risks along with the steps the Company has taken to manage them is described in the Strategic Report.

(a) Market risk

Market risk relates to fluctuations in external market variables such as interest rates, inflation and foreign exchange rates that could affect the Company's income or the value of the financial instruments it holds. Below is the effective interest rate and foreign currency risk profile of the debt held by the Company after taking into account the derivative financial instruments used to manage market risk and excluding fair value uplift related to the transfer of TWUCF's debt:

Notes to the financial statements (continued)

12. Financial instruments (continued)

As at 31 March 2026:	Total at fixed rates £m	Total at floating rates £m	Total at RPI linked rates £m	**Total £m**
Interest bearing loans and borrowings				
Net of corresponding swap assets				
- Sterling	(8,147.5)	(1,305.7)	(3,959.4)	**(13,412.6)**
- Non-sterling	(95.3)	-	-	**(95.3)**
Total	(8,242.8)	(1,305.7)	(3,959.4)	**(13,507.9)**

As at 31 March 2025:	Total at fixed rates £m	Total at floating rates £m	Total at RPI linked rates £m	**Total £m**
Interest bearing loans and borrowings				
Net of corresponding swap assets				
- Sterling	(8,121.2)	(1,305.2)	(3,780.3)	(13,206.7)
- Non-sterling	(103.4)	-	-	(103.4)
Total	(8,224.6)	(1,305.2)	(3,780.3)	(13,310.1)

The weighted average interest rates of the debt held by the Company after taking into account the derivative financial instruments used to manage market risk and the period until maturity for which the rate is fixed or index-linked are given below:

	Weighted average interest rate		Weighted average period until maturity	
Year ended 31 March	**2026 %**	2025 %	**2026 Years**	2025 Years
Sterling				
Fixed	**4.4**	4.4	**8.8**	9.8
Index-linked	**6.1**	5.3	**27.3**	28.3
Non-Sterling				
Fixed	**3.3**	3.3	**14.4**	15.4

Excluded from the tables above is the impact of the consent fee derivatives as these are not used to manage market risk, despite being a source of market risk themselves and being linked to index-linked swaps. However, included in the tables is the impact of the consent fee debt, despite having a zero-rate coupon.

The assumptions used for interest rate, exchange rate and inflation risk sensitivity analysis is included in the relevant sections below. The assumptions are based on reasonably possible changes and their impact on financial instruments held at the reporting date. This does not represent the actual impact which will depend on actual future changes on external market variables.

(i) Interest rate risk sensitivity analysis

The Company holds both fixed and floating rate borrowings. Fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. Floating rate borrowings are exposed to a risk of change in interest cash flows due to changes in interest rates. The Company has intercompany arrangements with TWUL which limit the Company's exposure to market risk.

The table below summarises the impact, on pre-tax profits, of a 1% increase or decrease in GBP interest rates at 31 March 2026. This analysis considers the effect on the fair value of derivative instruments and assumes that all other variables, in particular exchange rates and inflation expectations, remain constant.

As at 31 March	**2026**	**2026**	2025	2025
	+1% £m	**-1% £m**	+1% £m	-1% £m
Profit/(loss)	**160.0**	**(172.6)**	169.4	(185.3)
Equity	**160.0**	**(172.6)**	169.4	(185.3)

Notes to the financial statements (continued)

12. Financial instruments (continued)

(ii) Exchange rate sensitivity analysis

The Company's foreign currency risk exposure results from debt raised in currencies other than Sterling. The Company uses cross currency swaps to economically hedge the foreign currency exposure of loans and bonds issued in a foreign currency, or there is an offsetting foreign currency on-loan to TWUL. All economic hedges are undertaken for commercial reasons with the objective of minimising the impact of exchange rate fluctuations.

The table below summarises the impact of changes in the year end valuations of financial assets and liabilities denominated in foreign currency on pre-tax profits of a 10% strengthening or weakening of GBP against the respective currencies in which the financial assets and liabilities are denominated at 31 March 2026. This analysis assumes that all other variables in the valuation remain constant.

As at 31 March	**2026**	**2026**	2025	2025
	+10% **£m**	**-10%** **£m**	+10% £m	-10% £m
(Loss)/profit	**(11.7)**	**(20.8)**	1.6	(22.1)
Equity	**(11.7)**	**(20.8)**	1.6	(22.1)

(iii) Inflation risk sensitivity analysis

The table below summarises the impact on pre-tax profits of a 1% increase or decrease in inflation rates on financial instruments at 31 March 2026. This analysis assumes that all other variables, in particular exchange rates, remain constant.

As at 31 March	**2026**	**2026**	2025	2025
	+1% **£m**	**-1%** **£m**	+1% £m	-1% £m
(Loss)/profit	**(152.6)**	**123.6**	(155.6)	128.5
Equity	**(152.6)**	**123.6**	(155.6)	128.5

(iv) Own credit risk sensitivity analysis

Refer to Significant accounting judgements and key sources of estimation uncertainty on pages 36 to 41.

The Company has entered into swaps which are measured at fair value including the impact of credit risk as per IFRS 13. An absolute decrease of 10% in the recovery rate assumption will result in:

- £13.1 million increase in profit. using the same credit spread assumptions, meaning a different probability of default is implied.
- £22.9 million increase in profit, using the same probability of default assumptions, meaning a different credit spread assumption has been applied.

(b) Credit risk

The Company's maximum exposure to credit risk is the carrying amount of financial assets recorded in the financial statements, which is net of impairment losses; therefore, the maximum exposure to credit risk at the statement of financial position date was £9,844.2 million (2025: £11,155.8 million) as shown below:

As at 31 March	2026 £m	2025 £m
Intercompany loans receivable	9,636.0	10,977.1
Derivative financial instruments	80.1	55.9
Cash and cash equivalents	1.5	1.4
Other financial assets	126.6	121.4
Total	9,844.2	11,155.8

Notes to the financial statements (continued)

12. Financial instruments (continued)

The Company is a financing subsidiary of TWUL. Its principal activity is to ensure the liquidity needs of the Securitisation Group are met through access to the capital markets. Proceeds of funding activities are on lent to TWUL.

The amount due from TWUL, which is part of the Securitisation Group, as at 31 March 2026 (net of impairment losses) was £9,753.1 million (2025: £11,098.5 million). There are no amounts past their due dates.

As the external debt issuance and rating is based on the performance of the operating company, TWUL, the Directors believe it is acceptable to attribute the same credit standing to the loans receivable.

At a TWUL consolidated level an assessment was performed to consider if the TWUL Group can meet all liabilities due in the twelve months from date of signing of the consolidated financial statements, with material uncertainty in relation to the going concern basis identified. As required by IFRS 9 the Directors have also considered whether anything might happen that could cause the Company to be unable to pay the interest and principal on other debt when it falls due. Previously, the credit risk exposure from intercompany loans owed by a regulated water company, was considered immaterial. This was supported by TWUL's obligation to maintain an investment grade credit rating as a condition of its regulatory licence conditions. However, this position changed after the announcement that TWUL would not be receiving equity from shareholders in March 2024, followed by credit rating downgrades by Moody's and S&P and the pursuit of the court-sanctioned restructuring plan in February 2025.

For further information on the IFRS 9 assessment, see note 9.

For derivative counterparties there is a mechanism for the counterparty to post collateral when the counterparty fails to meet the necessary credit rating criteria and amounts due to the Company under outstanding derivative contracts exceed a contractually agreed threshold amount. During the year ended 31 March 2026, no collateral was held (2025: £nil).

The following table summarises cash at bank and in hand and money market funds by credit rating of the counterparty.

As at 31 March	2026 £m	2025 £m
AAA	1.5	1.4
A+	-	-
A	-	-
Total	**1.5**	**1.4**

Note: funds held in AAAmf, AAAm or AAAmmf rated money market funds are categorised as AAA in line with the fund rating, although the assets in these money market funds may have a lower rating.

The following table summarises fair value of derivatives assets by credit rating of counterparties.

As at 31 March	2026 £m	2025 £m
AA-	14.3	11.3
A+	48.9	35.5
A	16.9	9.1
Total	**80.1**	**55.9**

(c) Liquidity risk

Details of the nature and management of the Company's liquidity risk is provided in the Strategic Report. The maturity profile of the interest bearing borrowings disclosed in the statement of financial position are given below. Note that there are a number of factors which could significantly change the timing of the cashflows for borrowings from those shown, for example the debt maturities which have been extended by two years could flip back, debt may be required to be repaid early in insolvency or SAR, break clauses in swaps may be exercised in certain circumstances and the timing of consent fee derivative cash flows might change from those assumed.

Notes to the financial statements (continued)

12. Financial instruments (continued)

As at 31 March	2026 £m	2025 £m
- Within one year[1]	-	-
- Between one and two years	(1,620.3)	-
- Between two and three years	(188.8)	(1,620.2)
- Between three and four years	(1,720.3)	(192.4)
- Between four and five years	(329.0)	(1,673.4)
- After more than five years	(10,241.9)	(10,423.1)
Total	**(14,100.3)**	**(13,909.1)**

[1] On 25 February 2025 all revolving credit facilities were cancelled and the drawn down element converted to term loans. Therefore £nil (2025: £nil million) of the amount due within one year relates to revolving credit facility drawdowns that can be rolled over.

Cash flows from non-derivative financial liabilities

The maturity profile of the anticipated future cash flows including interest in relation to the Company's non-derivative financial liabilities on an undiscounted basis, which, therefore, differs from both the carrying value disclosed in the statement of financial position and fair values, is as follows:

As at 31 March [1]	2026 £m	2025 £m
- Within one year	(530.3)	(447.4)
- Between one and two years	(2,120.1)	(537.5)
- Between two and three years	(905.4)	(2,508.8)
- Between three and four years	(2,128.3)	(705.1)
- Between four and five years	(705.8)	(2,075.3)
- After more than five years	(21,118.5)	(20,692.9)
Total	**(27,508.4)**	**(26,967.0)**

[1] On 25 February 2025 all outstanding debt of the Company had its maturity date extended by two years. This extension is reflected in the above table. The maturity dates will revert to their original maturity when, amongst other things, both TWSSI's debt is repaid and the Group's Class A and B debt is investment grade with two rating agencies. This would bring forward the payment due date of the majority of amounts payable shown above.

Cash flows from derivative financial instruments

The maturity profile of the Company's financial derivatives, based on undiscounted cash flows, is as follows:

As at 31 March	2026 £m	2025 £m
- Within one year	17.3	(19.7)
- Between one and two years	33.0	19.5
- Between two and three years	0.1	17.4
- Between three and four years[1]	(159.5)	(1.1)
- Between four and five years[1]	54.5	(145.5)
- After more than five years[1]	(374.2)	(303.3)
Total	**(428.8)**	**(432.7)**

[1] Break clauses at 31 December 2028 and 1 April 2030 which allow early termination at the option of counterparties, subject to certain conditions, would bring the instrument's discounted cash flows forward to the relevant break date.

Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Notes to the financial statements (continued)

12. Financial instruments (continued)

The Company has entered into arrangements that allow for the related amounts to be set off in certain circumstances, such as an early termination event for derivative transactions.

The following table presents the recognised financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset in the financial statements, as at 31 March 2026 and 31 March 2025. The column 'net amounts' shows the impact on the statement of financial position if circumstances arose for set-off rights to be applied.

As at 31 March 2026	Effects of offsetting on the statement of financial position				
	Gross amounts	Amounts set off	Net amounts presented	Impact of master netting arrangements	Net amounts
	£m	£m	£m	£m	£m
Financial assets					
Derivative financial instruments	80.1	-	80.1	(32.5)	47.6
	80.1	-	80.1	(32.5)	47.6
Financial liabilities					
Derivative financial instruments	(231.1)	-	(231.1)	32.5	(198.6)
	(231.1)	-	(231.1)	32.5	(198.6)
Total	(151.0)	-	(151.0)	-	(151.0)

As at 31 March 2025	Effects of offsetting on the statement of financial position				
	Gross amounts	Amounts set off	Net amounts presented	Impact of master netting arrangements	Net amounts
	£m	£m	£m	£m	£m
Financial assets					
Derivative financial instruments	55.9	-	55.9	(26.5)	29.4
	55.9	-	55.9	(26.5)	29.4
Financial liabilities					
Derivative financial instruments	(237.1)	-	(237.1)	26.5	(210.6)
	(237.1)	-	(237.1)	26.5	(210.6)
Total	(181.2)	-	(181.2)	-	(181.2)

IBOR reform

The following table contains details of all of the financial instruments that the Company holds at 31 March 2026 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 March 2026		Of which: Have yet to transition to an alternative benchmark interest rate as at 31 March 2026	
	Assets	Liabilities	Assets	Liabilities
	£m	£m	£m	£m
Assets and liabilities exposed to GBP LIBOR				
Borrowings[1]	-	(285.8)	-	(285.8)
Total assets and liabilities exposed to GBP LIBOR	-	(285.8)	-	(285.8)

[1] Included in the £285.8 million (2025: £289.2 million) of borrowings in the table above are two intercompany loans with TWUL that are directly linked to LIBOR. The transition of these loans from LIBOR to SONIA is expected to be completed by 31 March 2027.

Notes to the financial statements (continued)

12. Financial instruments (continued)

	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				
Borrowings[1]	-	(289.2)	-	(289.2)
Total assets and liabilities exposed to GBP LIBOR	-	(289.2)	-	(289.2)

13. Deferred tax asset

As at 31 March	2026 £m	2025 £m
At the beginning of the year	9.0	12.8
Amounts credited/ (charged) to income statement based on fair value movements	22.9	(3.8)
Total	31.9	9.0

The deferred tax assets relate to the cumulative fair value losses recognised on derivatives. The Company is expected to generate taxable profits in the future and the deferred tax assets are therefore considered recoverable.

14. Called up share capital and other reserves

Called up share capital

As at 31 March	2026 £	2025 £
Authorised, allotted, called-up and fully repaid		
50,001 (2025: 50,001) ordinary shares of £1 each	50,001	50,001
Total	50,001	50,001

Authorised shares are 50,001 (2025: 50,001), which have all been allotted

The Company's ordinary shares carry no right to fixed income. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company. On 31 July 2018, 1 ordinary share was issued to TWUL, the immediate parent company, at a premium of £207.7 million. Subsequent to the new share issue, the Company completed a capital reduction by way of transferring the whole of the balance on share premium to other reserves.

Other reserves

As at 31 March	2026 £m	2025 £m
Other reserves	207.7	207.7
Total	207.7	207.7

Notes to the financial statements (continued)

15. Guarantees

The Company, Thames Water Utilities Holdings Limited (TWUHL) and Thames Water Utilities Limited (TWUL) are Obligors under the whole business securitisation entered into in 2007. The Obligors have all entered into a Security Trust and Inter-creditor Deed (STID). Pursuant to this arrangement, TWUHL guaranteed the obligations of each other Obligor under the finance agreement. Additionally, TWUL, and the Company, have guaranteed the obligations of each other under the finance agreement, in each case to the Security Trustee. The guaranteed debt on a post swap basis as at 31 March 2026 was £18,202.6 million (2025: £17,901.7 million).

16. Related parties

The principal activity of the Company is to make certain financing arrangements on behalf of TWUL and as such the major transactions of the Company are the raising of finance and subsequent lending of the debt to TWUL.

Transactions and balances with related parties

Intercompany loans receivable

The proceeds from external debt issued by the Company including any impact of associated derivatives are passed onto TWUL through intercompany loans mostly with a margin of 0.1% charged, although a small minority of external transactions are not perfectly matched with intercompany transactions or no margin on the intercompany loan is charged.

Amounts owed by group undertakings represent cumulative financing proceeds that have been loaned to TWUL. Details of intercompany loans receivable can be found in note 9. There are no amounts past their due dates (2025: £nil).

The Company has recognised a £5,536.1 million (2025: £4,083.3 million) expected credit loss on the intercompany loan receivable which is recognised in the Statement of Financial Position.

Refer to accounting judgement and estimation – provision for expected credit losses in the material accounting policy information section on page 36 for further details.

Total interest earned from TWUL in respect of the year ended 31 March 2026 was £598.1 million (2025: £686.9 million).

Other finance fees recharged to TWUL in respect of the year ended 31 March 2026 was £0.4 million (2025: £91.0 million).

Amounts owed by group undertakings

Amounts owed by group undertakings include amounts owed by immediate parent company TWUL. As at 31 March 2026, £126.6 million (2025: £121.4 million) was recognised within amounts owed by group undertakings relating to amounts owed by TWUL, of which £126.2 million (2025: £120.6 million) reflects interest received by TWUL on behalf of the Company in relation to restructured swaps.

Borrowings

Amounts owed to group undertakings represent floating rate loans payable to TWUL. Details of the borrowing can be found in note 11. There are no amounts past their due dates (2025: £nil).

Interest on the loans from TWUL is charged at a floating rate (LIBOR plus a margin) in both the current and preceding financial year but in line with the GBP LIBOR transition plan, the accruals have been made using SONIA plus a margin (refer to IBOR reform section on page 36 for more information). Total interest earned by TWUL in respect of the year ended 31 March 2026 was £18.5 million (2025: £21.6 million).

Notes to the financial statements (continued)

16. Related parties (continued)

Other financial liabilities

Other financial liabilities include amounts owed to immediate parent company TWUL. As at 31 March 2026, £0.5 million (2025: £1.1 million) was recognised within other financial liabilities relating to amounts owed to TWUL.

Transactions with key management personnel

There are no transactions with key management personnel and the Company as all transactions are paid by TWUL and are not recharged to this Company.

17. Immediate and ultimate parent and controlling party

The immediate parent company of Thames Water Utilities Finance plc is Thames Water Utilities Limited, a company incorporated in the United Kingdom, which owns 100% of the issued share capital of the Company and is the smallest group to consolidate these financial statements. The Directors consider the ultimate parent company and controlling party to be Kemble Water Holdings Limited, a company incorporated in the United Kingdom, and the largest group to consolidate these financial statements.

Kemble Water Holdings Limited is owned by nine shareholders, of which the largest is Ontario Municipal Employees Retirement System (OMERS) with a 31.777% holding.

The address of the registered office of Thames Water Utilities Limited is Clearwater Court, Vastern Road, Reading, Berkshire, RG1 8DB and of Kemble Water Holdings Limited is 7th Floor 3 More London Riverside, London, SE1 2AQ. Copies of the financial statements for both entities may be obtained from The Company Secretary's Office at the relevant address.

18. Post Balance Sheet Events

On 13 April 2026 the cross-currency interest rate swap used to hedge the $106.0m 4.070% private placement matured and was settled by TWUL on behalf of the Company. However, because of the maturity extension under the restructuring plan the private placement is not repayable until 2028, subject to the flip back clause if the Group obtain two investment grade ratings. On 13 April 2026 the intercompany loan to TWUL, which was previously lent on a post swap basis, became denominated in USD. This results in TWUL bearing exposure to foreign currency risk, whilst TWUF continues to be hedged from foreign currency rate fluctuations.

On 10 July 2026 Moody's downgraded the Class A debt rating from Caa3 (stable outlook) to Ca (stable outlook).

Thames Water

It's everyone's water