

Thames Water Utilities Finance plc

Interim report and condensed financial statements

For the six months ended 30 September 2025

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Company information

Directors

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

Registered Independent Auditors

PricewaterhouseCoopers LLP
3 Forbury Place
23 Forbury Road
Reading
Berkshire
RG1 3JH
United Kingdom

Company secretary and registered office

A Fraiser
Clearwater Court
Vastern Road
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Director's report

Introduction

This Director's report comprises a business and financial overview of Thames Water Utilities Finance plc (the Company) for the six months ended 30 September 2025 and constitutes unaudited key financial data and a narrative review of performance over this period. This report is required under the disclosure requirements of the Disclosure Guidance and Transparency Rules and has been prepared solely to provide additional information to the Company's shareholders to assess the performance and future outlook of the Company. It should not be relied upon by any other party or for any other purpose.

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

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

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

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 new 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 7 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 30 September 2025 was £18,181.8 million (31 March 2025: £17,901.7 million). As at 30 September 2025, TWUF and TWUHL guarantee £872.0 million of intercompany debt lent by TWSSI to TWUL. Note that TWUF is not a guarantor of TWSSI's £1,426.5 million gross debt, which is only guaranteed by TWUL and TWUHL.

The first half of this year for TWUL has been shaped by good progress across all areas of its operational transformation. However, there continues to be material uncertainty regarding the Group and Company's going concern as described in further detail on pages 4 and 14 to 21.

Director's report (continued)

Business review (continued)

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

TWUL continues to be exposed to inflationary pressures in FY26, which could impact its cost base and with bill increases expected in the future could increase the risk to cash collection rates. Rapid population growth and changing weather patterns also continue to put pressure on our ageing infrastructure. This creates risk of non-compliance by TWUL with environmental regulatory and statutory requirements.

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. It is this alternative proposal that is currently being discussed with Ofwat.

Credit rating

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

TWUL Group ratings as at date of publication

Moody's Corporate family rating and Moody's and S&P's Class A and Class B debt ratings are unchanged since 31 March 2025, except that TWUL's Super Senior debt has been 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.

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 six months ended 30 September 2025, the Company made a total loss before tax of £47.6 million (six months ended 30 September 2024: total loss before tax of £1,840.4 million), primarily due to £68.1 million expected credit losses on intercompany loans receivable (six months ended 30 September 2024: £1,912.0 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 30 September 2025 were £11,182.8 million (31 March 2025: £11,165.7 million). Net liabilities of the Company at 30 September 2025 were £3,763.6 million (Net liabilities 31 March 2025: £3,743.0 million) reflecting the six month 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.

Director's report (continued)

Financial results (continued)

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. The cash flows of the 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.

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 14 to 21.

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 30 September 2025. 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.

Further details of the TWUL Group assessment and the post balance sheet events are contained in the TWUL Group interim report for 2025/26, copies of which may be obtained from the Company Secretary's Office at the address included in note 13.

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.

Director's report (continued)

Directors

The Directors of the Company who were in office during the six months ended 30 September 2025 and up to the date of signing these condensed interim financial statements were:

N Land
A Montague
I Pearson
C Weston
A De Brunner
N Robson
J Gething (appointed 22 January 2025)

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 review, 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 (12 months ended 31 March 2025: none of the other Directors).

Dividends

The Company did not pay any dividends in the six months ended 30 September 2025 (30 September 2024: £nil). The Directors do not recommend the payment of a dividend (30 September 2024: £nil).

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.

Uncertainty concerning 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 investable. 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 increased 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 13.

Director's report (continued)

Future outlook

It is expected that the Company will continue with its current business model for the foreseeable future, 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. 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 14 to 21.

This Director's report was approved by the Board of Directors on 2 December 2025 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 interim report and condensed financial statements

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

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

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

C Weston

Director

Clearwater Court
Vastern Road
Reading
Berkshire
RG1 8DB

Independent review report to Thames Water Utilities Finance plc

Report on the condensed interim financial statements

Our conclusion

We have reviewed Thames Water Utilities Finance plc's condensed interim financial statements (the "interim financial statements") in the Interim report and condensed financial statements of Thames Water Utilities Finance plc for the 6 month period ended 30 September 2025 (the "period").

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

The interim financial statements comprise:

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

The interim financial statements included in the Interim report and condensed financial statements of Thames Water Utilities Finance plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

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

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

We have read the other information contained in the Interim report and condensed financial statements and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Material uncertainty related to going concern

In forming our conclusion on the interim financial statements, which is not modified, we have considered the adequacy of the disclosure made in the Material accounting policy information within the interim financial statements concerning the 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 the TWUL interim financial statements for the period ended 30 September 2025 which indicates uncertainties that are outside of the TWUL Group's control and which could occur in the very near term. These conditions, along with the other matters explained in the Material accounting policy information within the interim financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The interim financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

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

The Interim report and condensed financial statements, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Interim report and condensed financial statements in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Interim report and condensed financial statements, including the interim 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.

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

PricewaterhouseCoopers LLP
Chartered Accountants
Reading
2 December 2025

Condensed income statement

For the six months ended 30 September 2025

Note	2025			2024			
	Underlying	Exceptional items	Total	Underlying	Exceptional items	Total	
	£m	£m	£m	£m	£m	£m	
Operating loss	-	-	-	-	-	-	
Finance income	2	363.7	-	363.7	347.3	-	347.3
Finance expense	3	(333.6)	-	(333.6)	(321.8)	-	(321.8)
Net (losses)/gains on financial instruments	4	(9.6)	-	(9.6)	46.1	-	46.1
Expected credit losses on intercompany loans receivable	5	-	(68.1)	(68.1)	-	(1,912.0)	(1,912.0)
Profit/(loss) on ordinary activities before taxation	20.5	(68.1)	(47.6)	71.6	(1,912.0)	(1,840.4)	
Tax credit/(charge) on profit/(loss)	6	27.0	-	27.0	(3.0)	-	(3.0)
Profit/(loss) on ordinary activities after taxation	47.5	(68.1)	(20.6)	68.6	(1,912.0)	(1,843.4)	

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

There is no other comprehensive income for the six months ended 30 September 2025 (30 September 2024: 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 pages 14 to 26. Exceptional items have been split out from our underlying figures to support users of the financial statements to better understand the underlying performance of the business and to separate this from those items which are outside of the ordinary course of business, thus enhancing the comparability and transparency of the financial statements.

Condensed statement of financial position

As at

	Note	30 September 2025		31 March 2025	
		Total	£m	Total	£m
Non-current assets					
Intercompany loans receivable	7	10,581.5		10,570.9	
Derivative financial assets	10	110.1		55.9	
Deferred tax asset		36.0		9.0	
Prepayments and other assets		-		0.4	
		10,727.6		10,636.2	
Current assets					
Cash and cash equivalents		1.5		1.4	
Intercompany loans receivable	7	331.4		406.2	
Prepayments and other assets		-		0.5	
Amounts owed by group undertakings	8	122.3		121.4	
		455.2		529.5	
Current liabilities					
Borrowings	9	(272.1)		(336.0)	
Derivative financial liabilities	10	(2.2)		-	
Other financial liabilities	10	(0.6)		(1.4)	
		(274.9)		(337.4)	
Net current assets		180.3		192.1	
Non-current liabilities					
Borrowings	9	(14,475.2)		(14,333.4)	
Derivative financial liabilities	10	(196.0)		(237.1)	
Other financial liabilities	10	(0.3)		(0.8)	
		(14,671.5)		(14,571.3)	
Net liabilities		(3,763.6)		(3,743.0)	
Equity					
Called up share capital	12	0.1		0.1	
Other reserves	12	207.7		207.7	
Accumulated losses		(3,971.4)		(3,950.8)	
Total equity		(3,763.6)		(3,743.0)	

The condensed interim financial statements on pages 10 to 35 were approved by the Board of Directors on 2 December 2025 and signed on its behalf by:

C Weston
Director

Registered number: 02403744 (England & Wales)

Condensed statement of changes in equity

For the six months ended 30 September 2025

	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	-	-	(1,843.4)	(1,843.4)
30 September 2024	0.1	207.7	(1,834.6)	(1,626.8)
Loss on ordinary activities after taxation	-	-	(2,116.2)	(2,116.2)
31 March 2025	0.1	207.7	(3,950.8)	(3,743.0)
Loss on ordinary activities after taxation	-	-	(20.6)	(20.6)
30 September 2025	0.1	207.7	(3,971.4)	(3,763.6)

Condensed statement of cash flows

For the six months ended 30 September 2025

	2025 £m	2024 £m
<i>Operating activities:</i>		
Loss for the period	(20.6)	(1,843.4)
Less finance income	(363.7)	(347.3)
Add finance expense	333.6	321.8
Add/(less) net losses/(gains) on financial instruments	9.6	(46.1)
Add expected credit losses on intercompany loans receivable	68.1	1,912.0
(Less)/add taxation on profit/(loss) on ordinary activities	(27.0)	3.0
Operating loss	-	-
Movement in amounts owed by group undertakings	(0.9)	(2.3)
Net cash outflow from operating activities	(0.9)	(2.3)
<i>Investing activities:</i>		
Interest received	336.9	251.3
Loans to group companies	-	(365.8)
Loans repaid by group companies	-	491.6
Fees received	2.2	6.1
Net cash inflow from investing activities	339.1	383.2
<i>Financing activities:</i>		
Proceeds from new loans ¹	-	365.8
Repayment of borrowings ²	-	(491.6)
Payment for derivative settlement ³	(3.2)	-
Interest paid	(332.8)	(248.9)
Fees paid	(2.1)	(6.4)
Net cash outflow from financing activities	(338.1)	(381.1)
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 There were no proceeds from new loans during the six months ended 30 September 2025 (six months ended 30 September 2024: £365.8 million). Rollovers of drawdowns under revolving credit facilities will not appear as new cash flows in the cash flow statement.

² There were no repayment of borrowings during the six months ended 30 September 2025 (six months ended 30 September 2024: £491.6 million).

³ For the six months ended 30 September 2025, payment for derivative settlement was £3.2m (six months ended 30 September 2024: £nil); an offsetting receipt from TWUL is included in interest received.

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

Material accounting policy information

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 condensed financial statements have been reviewed, not audited.

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 new 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

These condensed interim financial statements of the Company have been prepared on the basis of the policies set out in the March 2025 Annual Report in accordance with the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and in compliance with the Disclosure and Transparency Rules (DTR) issued by the Financial Conduct Authority.

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

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

Basis of preparation

The condensed interim financial statements for the six months ended 30 September 2025, set out on pages 10 to 27, have been prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities at fair value, and the Disclosure and Transparency Rules (DTR) issued by the Financial Conduct Authority.

When considering whether the 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:

Material accounting policy information (continued)

Going concern (continued)

- 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
- 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 15 to 21. Further details of this assessment and other information are contained within the TWUL Group interim report for 2025/26, copies of which may be obtained from the Company Secretary's Office at the address included in Note 13.

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 the 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 their obligations as they fall due. However, there exists a material uncertainty, which could occur in the very near term, which may cast significant doubt on TWUL Group and TWUL's ability to continue as a going concern in relation to the preparation of the financial statements given the TWUL Group and TWUL requires a recapitalisation transaction (including the provision of additional equity funding and a restructuring of the TWUL's existing balance sheet) to be implemented, the outcome and timing of which are not within their control.

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

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

Material accounting policy information (continued)

Going concern (continued)

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

There is, therefore, material uncertainty which may cast significant doubt on TWUL Group and TWUL's ability to continue as a going concern as to whether TWUL will be able to deliver a recapitalisation transaction by way of RP2 successfully, either within the Assessment Period or at all. If it fails to do so, TWUL would 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, these uncertainties could occur in the very near term. The Directors believe there are three elements that will be key to the success of a recapitalisation process pursuant to RP2 and each of these is itself subject to uncertainty:

1. Liquidity

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

Following a judgment of the High Court of Justice of England and Wales handed down on 18 February 2025, a restructuring plan under Part 26A of the Companies Act 2006 proposed by Thames Water Utilities Holdings Limited (TWUHL, TWUL'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 TWUL's liquidity runway. It was always envisaged that the implementation of the recapitalisation process would require a second restructuring plan. RP1 has enabled, and continues to enable, TWUL to seek such a sustainable recapitalisation transaction. RP1 had three principal elements:

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

TWUL commenced the drawdown process for the first tranche of funding from TWSSI in April 2025, and further tranches of funding were drawn from TWSSI in May 2025, July 2025, August 2025 and November 2025. To date, TWUL has drawn principal of c. £1,193 million of funding from the initial committed tranche. The remaining principal of £234 million committed (and available subject to satisfaction or waiver of conditions precedent) and deferred¹ super senior funding is expected to provide liquidity through until at least March 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, which may shorten the liquidity runway.

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

Material accounting policy information (continued)

Going concern (continued)

The drawing of super senior funding by TWUL is subject to conditions precedent including that for any drawing on or after 28 November 2025, the Supported LUA (Lock Up Agreement) Condition must be satisfied. This date was extended from 31 July 2025 to 28 November 2025 as part of the recent consent processes and 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. TWUL is also considering requesting consent from creditors to remove the requirement to hold cash in the Debt Service Payment Account so that the cash is available for other purposes.

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

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

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

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

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

2. Financeable and investible regulatory settlement

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

On 18 March 2025, 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 TWUL. 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.

Material accounting policy information (continued)

Going concern (continued)

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.

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

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).

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

3. Equity raise and debt restructure

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. It therefore 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 six parties 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 has kept Ofwat updated throughout this process and Ofwat met with each of these parties.

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. TWUL's senior creditors in parallel 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. The alternative recapitalisation proposal from the senior creditors was submitted at the same time and, as set out above, TWUL is continuing discussions with those senior creditors, Ofwat and other stakeholders on the proposal.

Material accounting policy information (continued)

Going concern (continued)

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

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

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

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

Other considerations

There is continued risk of non-compliance with 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 its Class A debt by two notches to BB with negative outlook (from BBB- previously). Both ratings then fell below the requirements set out in Condition P26 of 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 that 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. 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

Material accounting policy information (continued)

Going concern (continued)

- an enforcement order which, among other things, required TWUL within 6 months to agree remediation plans with Ofwat, alongside a penalty notice which imposed a penalty of £104.5 million. TWUL submitted remediation plans to Ofwat on 28 November 2025. As part of 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 its 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. 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 in damages. 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 investability and financeability of TWUL.

Taking all of the uncertain factors disclosed in this section together there can be no assurance that the L&VW proposal will raise sufficient (or any) funds for TWUL to be able to achieve an investible and financeable PR24 outcome. 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 for 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 TWUL Group going concern assessment

The Directors believe that it is reasonable to assume that TWUL Group and TWUL will have adequate resources, for a period of 12 months from the date of approval of these financial statements, to continue operations and discharge their obligations as they fall due. In assessing whether TWUL Group and TWUL have adequate resources, for a period of at least 12 months from the date of approval of these financial statements, to continue operations and discharge their obligations as they fall due, the Directors have taken into consideration all of the factors set out above.

Material accounting policy information (continued)

Going concern (continued)

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

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

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 Interim 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.

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 30 September 2026.

Refer to the IBOR reform section included in Note 10 Financial instruments on page 32 for details of all of the financial instruments that the Company holds at 30 September 2025 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 interim financial statements requires the Group to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied in the Annual Report and financial statements for the year ended 31 March 2025 except as reported below.

Material accounting policy information (continued)

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

Accounting judgement and estimation – provision for expected credit losses

Management makes an estimate of the recoverable value of the TWUL loan receivables in line with the provisions of IFRS 9. When assessing these receivables for expected credit losses, management considers factors driving recoverability, including borrower's ability to pay, age profile of the receivables, net debt of the borrowing entity, seniority of debt and historical experience, among other factors.

Key inputs into management's expected credit losses model include the forecast outcome of the Competitions and Markets Authority (CMA) deferred appeal regarding the Final Determination awarded by Ofwat for AMP8 (period from 1 April 2025 to 31 March 2030), the outcome of the consortium of London & Valley Water (the creditors) plan for Thames Water, assumptions over equity and the debt restructuring plan.

In accordance with the specific requirements of IFRS 9, the expected credit loss on the TWUL loan receivables is determined by estimating the expected recoverability of these assets based on different scenarios considered by management, informed by available data and information where possible.

Two scenarios either resulting in a successful market-led solution where equity flows through to TWUL or an unsuccessful market-led solution resulting in Special Administration have been used in the assessment. Management have exercised judgement over the probability weightings of each of the two scenarios based on management's view about the likelihood of each event arising and considering the outcomes discussed in the going concern section. These include a scenario where £11,591 million of the receivable is recoverable, and a scenario where £8,878 million of the receivable is recoverable.

A successful market-led solution has been weighted the most likely scenario. Under this scenario, it is assumed that the creditors' plan is successful or that TWUL receives a favourable redetermination from the CMA which then leads to a successful recapitalisation exercise. Key assumptions under this scenario include that TWUL's enterprise value is at least equal to its net debt following a debt haircut and regulatory concessions, it is able to secure equity from shareholders, and it recovers its investment grade ratings over time allowing for the resumption of dividends to its shareholder.

Under a less likely scenario where the outcome of Creditor negotiations and the CMA's decision is disappointing, resulting in a failure of a market-led solution, 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 haircuts on TWUF's external Class A and Class B debt.

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

Expected credit losses on receivables, which are detailed in note 5, total £68.1 million as at the six months ended 30 September 2025 (six months ended 30 September 2024: £1,912.0 million). Refer to note 7 for further detail of the impact on the intercompany loan receivable.

Accounting estimate – valuation of derivatives

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

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

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

Material accounting policy information (continued)

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

Accounting estimate – valuation of derivatives (continued)

Consent Fee Derivatives

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

The consent fee derivatives are considered integral to the interest rate and index-linked swaps and their cash flows are dependent on them. Management has made a judgement that they cannot be separated from the swaps which they are dependent on as they cannot be separately traded without changes to the documentation. Therefore, the consent fee derivative and original swap are assessed as one unit of account. As a result, the current and non-current classification is determined based on the legal maturity date of the original swap, which may differ from when the fees become payable. To assist readers 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 inputs to valuation techniques are Level 3 – the fair value is determined using management assumptions from inputs other than quoted prices. The fair value of derivative financial instruments, including interest rate swaps, cross currency swaps and index-linked swaps are measured by analysing future cash flows of all of the transactions within each netting set. The future cash flows are estimated based on observable forward interest rates and inflation rates, and future fair values are estimated under a wide range of market scenarios and valued taking into account the credit risk of the Group and counterparties, using observable market data and where necessary, management estimation.

Credit risk adjustment

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

Material accounting policy information (continued)

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

Accounting estimate – valuation of derivatives (continued)

The 30 September 2025 movement from Level 2 to Level 3 instruments is shown below for the Company.

Six-month period 31 March 2025 to 30 September 2025	2025
	£m
Level 3 instruments	
Opening balance	(181.2)
Transfers from Level 2 to Level 3 ¹	-
Gains and losses recognised through profit or loss	93.1
Closing balance	(88.1)

Six-month period 31 March 2024 to 30 September 2024	2024
	£m
Level 3 instruments	
Opening balance	-
Transfers from Level 2 to Level 3 ¹	(295.6)
Gains and losses recognised through profit or loss	13.6
Closing balance	(282.0)

Six-month period 31 March 2024 to 30 September 2024	2024
	£m
Level 2 instruments	
Opening balance	(257.8)
Transfers from Level 2 to Level 3 ¹	295.6
Gains and losses recognised through profit or loss	(48.1)
Closing balance	(10.3)

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

In its valuation of its Level 3 derivatives, observable market data are used 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 Company's own instruments, management judgement is then applied to adjust the derived curve to be an estimate that management judges to be reasonable. At each reporting date, these data points and judgements are reviewed and updated to maintain a reasonable approach and a decision will be made as to whether the transactions should be classified differently from Level 3.

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

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

Material accounting policy information (continued)

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

Accounting estimate – valuation of derivatives (continued)

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

Management believe the assumptions used are reasonable, with the rationale set out above, although the credit related assumptions are not based on observable inputs alone.

Management acknowledge that the assumption on recovery rate and credit spread is a significant assumption in the valuation methodology and that reasonably possible changes in the estimates could have a material impact. For example, if the recovery rate assumption was reduced from 85% to 75%, the increase in credit adjustment on super senior swaps would be:

- £15 million using the same credit spread assumption as described above, meaning a different probability of default is implied
- £24 million using the same probability of default assumption as described above, meaning a different credit spread is implied

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

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

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

Material accounting policy information (continued)

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

Accounting estimate – valuation of derivatives (continued)

The net total of derivative financial assets and liabilities as at 30 September 2025 was a liability of £88.1 million (31 March 2025: a liability of £181.2 million) of which £10.8 million was the consent fee derivatives element. The valuation if no credit and any other adjustment is applied is £138.1 million net liability (31 March 2025: £228.2 million net liability). The credit and any other adjustment is £50.0 million (31 March 2025: £47.0 million).

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

In cases where, due to unobservable factors, it is not possible to reliably 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. At the restructuring date, the fair value of these instruments, as indicated by their fair value immediately prior to the restructuring, could not be supported by observable inputs alone. In management's view, the reduction in value of £38.0 million at the restructuring date is supported by unobservable factors, including the counterparty's credit risk, capital, funding and trading charges. This reduction in value that was supported by unobservable inputs does not impact the ongoing valuation methodology of the index-linked swaps. Therefore, such movement was deferred on the Statement of Financial Position in compliance with IFRS 9 and will be recognised in the Income Statement on a straight-line basis over the life of the underlying derivative instrument. In the prior year, the valuation continued to be supported by observable inputs and hence it was appropriate for these to be categorised within level 2 of the fair value hierarchy. Unobservable inputs in the valuation of these swaps at 31 March 2025 and at 30 September 2025 mean that they are now categorised at level 3. As at 30 September 2025, £15.5 million (31 March 2025, £15.8 million) remained capitalised within derivative financial liabilities and £0.6 million had been recognised in the Income Statement within net gains/(losses) on financial instruments (30 September 2024: £0.6 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 condensed financial statements

1. 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 condensed financial statements.

2. Finance income

For the six months ended 30 September	2025 £m	2024 £m
Interest receivable on intercompany loans receivable	368.0	341.2
Net interest (expense)/ income on swaps	(4.5)	5.7
Other finance fees recharged to TWUL	0.2	0.4
Total	363.7	347.3

3. Finance expense

For the six months ended 30 September	2025 £m	2024 £m
Interest expense on borrowings	(333.4)	(321.4)
Other finance fees	(0.2)	(0.4)
Total	(333.6)	(321.8)

4. Net (losses)/gains on financial instruments

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

For the six months ended 30 September	2025 £m	2024 £m
Net exchange (losses)/gains on foreign currency borrowings and intercompany loans receivables	(83.7)	98.1
Net gains/(losses) arising on swaps where hedge accounting is not applied ¹	74.1	(52.0)
Net (losses)/gains on financial instruments	(9.6)	46.1

¹ Net gains arising on swaps where hedge accounting is not applied primarily reflects depreciation of GBP against EUR and higher credit spreads, partially offset by a small appreciation of GBP against USD, higher interest rates and higher inflation rates.

5. Expected credit losses on intercompany loans receivable

For the six months ended 30 September	2025 £m	2024 £m
Expected credit loss on intercompany loans receivable from Thames Water Utilities Limited	(68.1)	(1,912.0)
Total	(68.1)	(1,912.0)

The Company has intercompany loans receivable due from TWUL, totalling £14,732.9 million (31 March 2025: £14,654.2 million) in book value, together with accrued interest of £331.4 million (31 March 2025: £406.2 million).

As a result of management's assessment of the expected credit loss on the intercompany loans performed in the period, as required by IFRS 9, an expected credit loss of £68.1 million (six months ended 30 September 2024: £1,912.0 million) has been recognised in the Income Statement. This is shown as an exceptional item, as these losses are not as a result of the ordinary course of business. Refer to accounting judgement and estimation – provision for expected credit losses in the material accounting policy information section on page 22 for further details.

Notes to the condensed financial statements (continued)

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

For the six months ended	30 September 2025 £m	30 September 2024 £m
Current tax:		
Amounts payable in respect of group relief	-	(4.1)
Deferred tax:		
Origination and reversal of timing differences	27.0	1.1
Tax credit/(charge) on profit/loss on ordinary activities	27.0	(3.0)

The tax credit for the six months ended 30 September 2025 is higher than the 25% standard rate of corporation tax in the UK primarily due to the movement in the fair value of derivatives that is subject to the initial recognition exemption.

7. Intercompany loans receivable

As at	30 September 2025 ¹ £m	31 March 2025 £m
Amounts owed by Group undertakings		
Thames Water Utilities Limited	14,732.9	14,654.2
Interest receivable on amounts owed by Group undertakings		
Thames Water Utilities Limited ²	331.4	406.2
Impairment on amounts owed by Group undertakings		
Expected credit loss provision	(4,151.4)	(4,083.3)
Total	10,912.9	10,977.1
Disclosed within non-current assets	10,581.5	10,570.9
Disclosed within current assets	331.4	406.2

¹ There are no amounts past their due by dates.

² Included within interest receivable on amounts owed by Group undertaking of £331.4 million is £10.8 million (31 March 2025: £14.9 million) relating to the consent fee derivatives recognised in connection with the debt restructuring, for which payments will be funded by TWUL 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 six months ended 30 September 2025, the fair value uplift amortisation of intercompany loans receivable was £24.7 million (six months ended 30 September 2024: £25.2 million) and the unamortised fair value of the intercompany loans receivable as at 30 September 2025 was £6,496.5 million (31 March 2025: £6,521.3 million).

Intercompany loans receivable are held at amortised cost, with the exception of £10.8 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.

Notes to the condensed financial statements (continued)

7. Intercompany loans receivable (continued)

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 Company recognised an expected credit loss of £4,151.4 million at 30 September 2025 (31 March 2025: £4,083.3 million). This loss has been recognised in the 'Statement of financial position' and as an exceptional item the increase during the year of £68.1 million has been recognised in the 'Income statement'.

Refer to accounting judgement and estimation – provision for expected credit losses in the material accounting policy information section on page 22 for further details.

8. Amounts owed by Group undertakings

As at	30 September 2025 £m	31 March 2025 £m
<i>Amounts owed by Group undertakings</i>		
Thames Water Utilities Limited	122.3	121.4
	122.3	121.4

Amounts owed by group undertakings include amounts owed by the immediate parent company TWUL. As at 30 September 2025, £122.3 million (31 March 2025: £121.4 million) was recognised within amounts owed by group undertakings relating to amounts owed by TWUL, of which £121.9 million (31 March 2025: £120.6 million) reflects interest received by TWUL on behalf of the Company in relation to restructured swaps.

9. Borrowings

As at	30 September 2025 £m	31 March 2025 £m
Secured bank loans and private placements	1,909.1	1,921.4
Bonds	12,278.7	12,122.8
Amounts owed to Group undertakings	287.4	289.2
	14,475.2	14,333.4
Interest payable on borrowings	272.1	336.0
Total	14,747.3	14,669.4
Disclosed within non-current liabilities	14,475.2	14,333.4
Disclosed within current liabilities	272.1	336.0
Total	14,747.3	14,669.4

Debt issued by the Company matures between 2027 and 2064. 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 10.

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 period.

Notes to the condensed financial statements (continued)

10. Financial instruments

Fair value measurements

Refer to significant accounting judgements and key sources of estimation uncertainty on pages 22 to 26 for details of the fair value measurements methodology and the classification of all derivative instruments as Level 3 for the Company.

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

The net total of derivative financial assets and liabilities as at 30 September 2025 was a liability of £88.1 million (31 March 2025: a liability of £181.2 million). Refer to the material accounting policy information on pages 22 to 26 for more information on the key assumptions.

Categories of financial instruments

The table below sets out the valuation basis of financial instruments held at fair value as at 30 September 2025 and 31 March 2025:

Financial assets:

As at	Level 2/3 ¹	
	30 September 2025 £m	31 March 2025 £m
<i>Fair value through profit and loss:</i>		
Cross currency swaps	110.1	55.9
Cash and cash equivalents – money market funds	1.4	1.4
Intercompany loans receivable ¹	10.8	-
	122.3	57.3
<i>Amortised cost:</i>		
Cash and cash equivalents – cash at bank and in hand	0.1	-
Amounts owed by group undertakings	122.3	121.4
Intercompany loans receivable	10,912.9	10,977.1
	11,035.3	11,098.5
Total	11,157.6	11,155.8

¹ £10.8 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.

Financial liabilities:

As at	Level 2/3 ¹	
	30 September 2025 £m	31 March 2025 £m
<i>Fair value through profit and loss:</i>		
Index-linked swaps	(178.2)	(179.3)
Cross currency swaps	(9.2)	(42.9)
Consent fee derivative	(10.8)	(14.9)
	(198.2)	(237.1)
<i>Amortised cost:</i>		
Borrowings ²	(14,747.3)	(14,669.4)
Other financial liabilities	(0.9)	(2.2)
	(14,748.2)	(14,671.6)
Total	(14,946.4)	(14,908.7)

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 Borrowings are level 2 with the exception of publicly traded underlying liquid bonds which are Level 1 (31 March 2025: Level 1). All derivatives are Level 3 (31 March 2025: Level 3).

Notes to the condensed financial statements (continued)

10. Financial instruments (continued)

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.

As at	30 September 2025		31 March 2025	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Financial assets:				
Intercompany loans receivable	10,912.9	9,185.7	10,977.1	9,600.6
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	110.1	110.1	55.9	55.9
Amounts owed by group undertakings	122.3	122.3	121.4	121.4
	11,146.8	9,419.6	11,155.8	9,779.3

As at	30 September 2025		31 March 2025	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Financial liabilities:				
Borrowings	(14,747.3)	(9,265.7)	(14,669.4)	(9,711.9)
Derivative financial instruments	(198.2)	(198.2)	(237.1)	(237.1)
Other financial liabilities	(0.9)	(0.9)	(2.2)	(2.2)
	(14,946.4)	(9,464.8)	(14,908.7)	(9,951.2)

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.

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.

Notes to the condensed financial statements (continued)

10. Financial instruments (continued)

IBOR reform

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

	Carrying Value at 30 September 2025		Of which:	
	Assets	Liabilities	Assets	Liabilities
	£m	£m	£m	£m
Assets and liabilities exposed to GBP LIBOR				
Borrowings ¹	-	(287.4)	-	(287.4)
Total assets and liabilities exposed to GBP LIBOR	-	(287.4)	-	(287.4)

	Carrying Value at 31 March 2025		Of which:	
	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)

¹ Included in the £287.4 million (31 March 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 30 September 2026.

Notes to the condensed financial statements (continued)

11. 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 7. There are no amounts past their due dates (31 March 2025: £nil).

The Company has recognised a £4,151.4 million (31 March 2025: £4,083.3 million) expected credit loss on the intercompany loan receivable which is recognised in the Statement of Financial Position, with a corresponding movement in the expected credit losses of £68.1 million recognised in the Income Statement as an exceptional item, as these losses are material and not as a result of the ordinary course of business. Refer to accounting judgement and estimation – provision for expected credit losses in the material accounting policy information section on page 22 for further details.

Total interest earned from TWUL in respect of the six months ended 30 September 2025 was £368.0 million (six months ended 30 September 2024: £341.2 million).

Other finance fees recharged to TWUL in respect of the six months ended 30 September 2025 was £0.2 million (six months ended 30 September 2024: £0.4 million).

Amounts owed by group undertakings

Amounts owed by group undertakings include amounts owed by immediate parent company TWUL. As at 30 September 2025, £122.3 million (31 March 2025: £121.4 million) was recognised within amounts owed by group undertakings relating to amounts owed by TWUL, of which £121.9 million (31 March 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 9. There are no amounts past their due dates (31 March 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 period 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 21 for more information). Total interest earned by TWUL in respect of the six months ended 30 September 2025 was £9.6 million (30 September 2024: £11.1 million).

Other financial liabilities

Other financial liabilities include amounts owed to immediate parent company TWUL. As at 30 September 2025, £0.3 million (31 March 2025: £1.1 million) was recognised within other financial liabilities relating to amounts owed to TWUL.

Notes to the condensed financial statements (continued)

11. Related parties (continued)

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.

12. Called up share capital and other reserves

Called up share capital

As at	30 September 2025 £	31 March 2025 £
<i>Allotted, called-up and fully repaid</i>		
50,001 ordinary shares of £1 each	50,001	50,001
Total	50,001	50,001

Authorised shares are 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	30 September 2025 £m	31 March 2025 £m
Other reserves	207.7	207.7
Total	207.7	207.7

13. 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. The address of the registered office of both Thames Water Utilities Limited and Kemble Water Holdings Limited is Clearwater Court, Vastern Road, Reading, Berkshire, RG1 8DB. Copies of the financial statements for both entities may be obtained from The Company Secretary's Office at this address.

Notes to the condensed financial statements (continued)

14. Post Balance Sheet Events

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

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



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