

Thames Water Utilities Holdings Limited

Annual report and financial statements
For the year ended 31 March 2025

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Strategic Report

The Directors present their strategic report of the Thames Water Utilities Holdings Limited Group (the Group) for the year ended 31 March 2025. This strategic report should be read in conjunction with the strategic report of Thames Water Utilities Limited, which does not form part of this report, which can be found at <https://www.thameswater.co.uk/about-us/investors/our-results> and provides a more detailed insight into the regulated business.

Business review

Principal activities

The principal activity of Thames Water Utilities Holdings Limited (the Company or TWUHL) is the role of intermediate parent company of Thames Water Utilities Limited (TWUL or Thames Water), which remains unchanged from the previous year. The Company is the intermediate parent presenting consolidated statements for the year ended 31 March 2025 (FY25) and will therefore be considered “the Group”. The principal activity of the Company is to act as the holding company of the Group, and it does not carry out any activities beyond this. Included in the Group is TWUL, Thames Water Utilities Finance plc (TWUF) and Thames Water Super Senior Issuer plc (TWSSI).

The principal activity of the Group is the appointed supply of water and wastewater services to customers in London, the Thames Valley and surrounding area, delivered entirely through its wholly owned direct subsidiary, TWUL, in accordance with TWUL’s Licence of Appointment. References to “our” or “we” in this report relates to the activities of the Group including TWUL.

As the performance of the Group is dependent largely on its appointed activities, this report makes reference to the performance of TWUL in order to provide appropriate explanation as to the performance of the overall Group.

The Company is also part of a securitisation group of companies (the Securitisation Group). This arrangement comprises the Company and the following wholly owned direct and indirect subsidiaries:

- Thames Water Utilities Limited (TWUL) – direct subsidiary;
- Thames Water Utilities Finance plc (TWUF) – indirect subsidiary;

The Company and TWUL also guarantee the borrowings of their subsidiary Thames Water Super Senior Issuer plc (TWSSI).

The payment of all amounts owing in respect of the external debt issued by any company within the Securitisation Group is unconditionally and irrevocably guaranteed by all remaining companies within the Securitisation Group. The guaranteed debt on a post swap basis as at 31 March 2025 was £17,902.3 million (2024: £17,302.8 million). Refer to “IFRS 17 ‘Insurance Contracts’ impact assessment” for analysis on the financial guarantee.

The Group’s Board consists of Executive and Non-Executive Directors. With the exception of Sir Adrian Montague, who serves as Chairman of TWUL and as a Director of the Company, the Non-Executive Directors have no role in the day-to-day running of the appointed business within TWUL, however they provide constructive challenge and independent view on various matters concerning the Group. In addition to their responsibilities to TWUL, the Executive Directors of TWUL also carry out work on behalf of the Group.

The main functional areas of the TWUL business are:

Retail:	comprises customer-facing activities, as well as billing and cash collection, including amounts relating to construction of the Thames Tideway Tunnel (TTT) which has also been shown separately in the financial statements. From 1 April 2017, this business function is also responsible for billing and cash collection of wholesale market charges to licensed non-household retailers for both water and wastewater, including amounts relating to construction of the TTT;
Capital delivery:	comprises the management of water network assets, as well as the investment in and maintenance of the business’ water and wastewater infrastructure to ensure it is sufficiently resilient to continue customer delivery, whilst also meeting the challenges of population growth and climate change;
Operations:	responsible for all aspects of raw water abstraction, treatment as well as the distribution of high quality drinking water and wastewater collection, treatment and safe disposal for household and non-household customers; and
Support services:	responsible for other areas including digital, asset management, regulation, strategy, finance, legal and HR.

Whilst the appointed supply of water and wastewater services provides approximately 99% of the Group’s appointed gross revenue, TWUL also manages certain non-appointed activities including:

- property searches, including the provision of information required by property developers; sale of gravel and other aggregates extracted through day-to-day operations; and
- treatment of trade effluent and other septic waste.

Business strategy

The Group’s strategy is as follows:

- Deliver life’s essential service, so our customers, communities and the environment can thrive. This means keeping customers’ bills as low as possible whilst investing efficiently in assets to ensure its customers’ needs are met now and in the future. From a shareholder perspective, this means meeting and outperforming our regulatory outputs and financial settlement to provide the returns they expect and require.

Principal risks and uncertainties

Changes to risk landscape

We continue to closely manage our principal risks through a period of considerable internal and external challenges. This has been supported by holding deep-dive reviews of each principal risk with the appointed Board sponsor, Executive risk owner and the sub-risk owners.

Recognising the challenges that Thames Water faces, our overall risk profile remains elevated.

The principal risk covering the design and delivery of capital projects has been merged with the principal risk on asset performance and resilience. This provides a better oversight of our asset lifecycle – asset maintenance, operations, and renewal.

Principal risks and uncertainties (continued)

Emerging risks

As our risk profile fluctuates, we are alert to emerging risks. Emerging risks can affect our ability to deliver sustainably for customers and the environment in the near and long term. Our early identification and rigorous assessment procedures are therefore integral to determining the potential exposure.

We identify emerging risks through workshops with key stakeholders, horizon scanning, and securing insights from internal and external sources. Measures to monitor and respond to these risks are put in place as appropriate, including the creation of new principal risks if necessary.

On 14 February 2025, Thames Water announced that it would be asking Ofwat to refer our Final Determination to the Competition and Markets Authority (CMA). On 18 March 2025, Ofwat agreed to defer the reference for a period of up to 18 weeks. Whilst we maintain the view that the Final Determination does not serve the interests of Thames Water's customers, communities, and the environment, we have concluded that recent discussions between our lenders, management and Ofwat have the potential to unlock a market-led solution for our recapitalisation, including through an equity raise, without the need for a CMA reference.

On 31 March 2025, we announced, following that detailed assessment, that the Board had selected KKR as our preferred equity partner. On 3 June 2025 we announced that KKR had completed their due diligence and prepared detailed proposals for us but decided not to proceed further with their bid.

We continue to believe that a sustainable recapitalisation of Thames Water is in the best interests of all stakeholders and continue to work with our creditors and stakeholders to achieve that goal. We are therefore progressing discussions with Ofwat and other stakeholders.

Principal risk overviews

For transparency and to aid understanding, we have grouped our 16 principal risks into one of the following four categories:

Customers & Communities

1. Customer experience
2. Engage stakeholders

Strategic & Regulatory

3. Climate change, population growth and biodiversity
4. Compliance with legal & regulatory obligations
5. Regulatory, legislative, or political developments

Financial

6. Revenue Collection
7. Liquidity
8. Delivering within our means

Operational

9. Legacy technology failure
10. Employee & physical asset protection
11. Cyber security and data protection
12. Performance and resilience of our asset base
13. Treat wastewater
14. Supply of wholesome water
15. Physical or mental harm
16. Workforce

1. Customer experience

Risk

Failing to recognise and address the current and future needs of our customers may lead to a poor customer experience and undermine trust and confidence. This could result in complaints, unsatisfactory performance on our C-MeX and D-MeX metrics, and potential regulatory investigations.

Trend Commentary

In FY25 we made sustained progress in improving our customers' experience across a number of fronts including improving speed to answer customer calls and reducing abandonment rates. Total household complaints reduced by more than 15% compared to FY24. Billing and operations customer satisfaction is not where it needs to be and has fallen short of target. Our C-MeX score continues to be disappointing and reflects our focus on driving longer term and sustainable underlying performance improvement which we believe will drive improvements in C-MeX.

Examples of mitigations

- A continued focus on reducing complaints and improving customer satisfaction, boosting customer service resource by 20%.
- Taking steps to protect our most vulnerable customers and our draft vulnerability strategy was rated by Ofwat as exemplary against each of its assessment criteria.
- Continuing to expand the Priority Service Register.
- Supplementary training for billing agents enables additional agents to support water incidents.

KPIs

- Total complaints
- CSAT
- C-Mex, D-MeX and BR-Mex

Principal risks and uncertainties (continued)

2. Engage stakeholders

Risk

We may be unable to secure the engagement, trust, and support of our stakeholders, which could hinder our ability to deliver services, and complete projects, and affect our reputation.

Trend commentary

Trust in the water sector and Thames Water specifically, is low. Ongoing public debate about our finances, environmental performance and ownership make addressing this risk a challenge in the short to medium term. Progressing through our refinancing process and talking to stakeholders about what we will deliver in AMP8 will start to give us an opportunity to rebuild trust, but concerns remain around late delivery of some schemes and river health.

Examples of mitigations

- Proactive and continuous engagement with customers and stakeholders on our plans for AMP8. This includes WINEP, Water Resources Management Plan (WRMP), Drainage and Wastewater Management Plan, River Health Action Plan, Pollution Incident Reduction Plan (PIRP) and drinking water safety plan with a particular focus on demonstrating delivery.
- Engagement with customers, stakeholders, and elected representatives at national, regional, and local levels to understand their needs, expectations, and preferences.
- Building engagement in capital projects to explain how delivery benefits local customers and communities.
- Developing and embedding the Public Value framework to support decision-making and wider community engagement.

KPIs

- Stakeholder sentiment measure
- Environmental Performance Assessment rating
- Ofwat Water Company Performance Report rating
- Customer Complaints

3. Climate change, population growth and biodiversity

Risk

Climate change, population growth and failure to reduce customer demand could result in disruptions to service and damage to biodiversity. A failure to protect biodiversity at our sites, could cause harm through our operations or fail to deliver mandatory net gain requirements when delivering our capital programmes. We may not be able to reduce our operational greenhouse gas (GHG) emissions in line with external expectations.

Trend commentary

Managing the impact of climate change and the growth in demand are key priorities. We carefully manage related challenges, including drought, flooding, and environmental damage, across our Asset Operations and Capital Delivery team. We are committed to reducing operational and capital GHG emissions by 78% by 2035, compared to 1990 levels. As our population grows customer numbers are expected to increase by 10-20% for water and 16% for wastewater by 2050. We are prioritising growth investment in our assets with Sewage Treatment Works (STW) due to receive significant investment in AMP8.

Examples of mitigations

- Collaborating with Water Resources South East and neighbouring companies to address regional water security and develop our 50-year WRMP, including new supply options.
- Progressing two projects to address drought and strengthen water resilience: a proposed reservoir near Abingdon (South East Strategic Reservoir Option) and the Teddington Direct River Abstraction to support London during extended dry periods.
- Focussing on demand reduction schemes to influence customer usage, including the roll-out of digital smart meters and water efficiency activities.
- Working to achieve a 5% reduction in operational GHG over AMP8 including improvements in energy efficiency, real time control, capital investment to meet the requirements of the Industrial Emissions Directive which will result in reduced operational emissions, fuel switching and working with the supply chain to reduce their emissions.

KPIs

- Operational GHG emissions
- Properties at risk of flooding
- Security of supply
- Leakage and Per Capita Consumption
- Roll out of smart meters
- Biodiversity Net Gain

4. Compliance with legal & regulatory obligations

Risk

Perceived non-compliance with our obligations could result in regulatory investigations which could lead to enforcement orders and/or financial penalties and both civil and/or criminal proceedings. Failing to comply with our core legal and regulatory obligations could result in reputational harm, including loss of customer and investor confidence.

Trend commentary

We have a low appetite for non-compliance with our core legal and regulatory obligations. Compliance risks regarding core employment requirements, data protection laws and other statutory obligations remain stable with effective operating controls in place. While we continue to strengthen these internal controls, our overall risk exposure remains high due to the ongoing regulatory scrutiny and investigations. We remain committed to working transparently with regulators. Work continues to restore our investment-grade credit ratings, following downgrades in 2024 as part of undertakings agreed with Ofwat. We remain focused on meeting our regulatory and environmental commitments, with enhanced governance and oversight in place.

Principal risks and uncertainties (continued)

Examples of mitigations

- AMP 8 Capital Investment program aligned to legal and regulatory drivers
- Ongoing discussions between creditors, Ofwat and the Group to recapitalise the business to finance our business plan
- Quarterly Compliance Control Operator Self-Assessment (CoSA) certifies compliance with our core legal and regulatory obligations and have effective controls.
- A new Compliance Assessment System (CAS) enables better understanding of our environmental permit compliance and the action required.
- Mandatory training programmes (including competition law, data protection, bribery and corruption, and compliance).
- Clear Speak Up and whistleblowing procedures.

KPIs

- CAS and CoSA outputs
- Compliance control environment operating effectiveness
- Operational Delivery Incentive Reporting
- Issuer grade credit rating

5. Regulatory, legislative, or political developments

Risk

Failure to protect our business from developments in the regulatory, legislative, and political environments could impact our business operations, resulting in unfunded obligations or non-compliance, reputational damage and therefore potential significant investment over that anticipated in our business plan.

Trend commentary

Political and regulatory scrutiny regarding compliance with current and future environmental obligations remains high, with river health and leakage dominating the agenda. There is ongoing focus on our financial position and an observable trend of increasing oversight and enforcement. The ongoing recapitalisation process, deferral of our PR24 Final Determination appeal to the CMA, Water (Special Measures) Act, Independent Water Commission, and publication of the National Audit Office study on the effectiveness of water regulation all will drive continued high levels of scrutiny and risk, but also present opportunities.

Examples of mitigations

- Horizon scanning for potential changes to the regulatory, legal, and political environments.
- Informing and contributing to the water sector public policy debate by working in partnership with Water UK, other water companies and industry bodies. This includes engaging with key decision-makers and collaborating on the Independent Water Commission's review.
- Active engagement with regulators, politicians, and regional and local stakeholders on a broad range of issues to share a greater understanding of our activities.

KPIs

- Public sentiment measure

6. Revenue Collection

Risk

We may struggle to collect revenues effectively if external factors affect our customers (household and non-household) or if internal factors impact our collection capabilities. This includes challenges to assisting customers with paying their water bills, which could result in a shortfall in our income and put pressure on our cash flow.

Trend Commentary

The risk of failed revenue collection has remained stable despite inflation rates remaining above the Bank of England target. Improvements to revenue collection are challenged as customer charges continue to rise, meaning the risk profile may increase in AMP8. We are implementing the increased cross-subsidy agreed upon by our customers, to mitigate the impact on those who have difficulty paying. To reduce the overall risk, we are enhancing affordability measures for eligible customers.

Examples of mitigations

- Increasing and streamlining Automate Payment Plan Set Up for customers.
- Designing and delivering affordability engagement campaigns and extra support schemes.
- Changes to recruitment and training processes to maximise capability.

KPIs

- Underlying EBITDA
- Underlying revenue

7. Liquidity

Risk

We may experience weak financial resilience (real or perceived) due to operational performance or economic and market volatility. This could result in us being unable to secure sufficient liquidity to meet our funding requirements, resulting in insolvency (or Special Administration for TWUL) or insufficient resources to satisfy TWUL's Instrument of Appointment obligations.

Principal risks and uncertainties (continued)

Trend Commentary

The overall risk profile has increased due to the uncertainty around the timing of the financial Restructuring Plan, which would deliver new funding. A super senior credit facility has been provided by our senior creditors which, subject to conditions, provides liquidity until Summer 2026.

Our equity process, which involves bringing in new shareholders to invest in our business and right-sizing our debt, will continue over much of 2025. We continue to work with our creditors, stakeholders, and other potential equity investors to sustainably recapitalise the business.

Examples of mitigations

- A financial restructuring plan is underway to recapitalise the business and provide sufficient liquidity to meet our funding requirements.

KPIs

- Committed liquidity
- Financial covenants
- Credit Ratings
- Gearing levels

8. Delivering within our means

Risk

Failure to adapt our cost base for changes in inflation or interest rates, or insufficient operating cash flow, and live within our means could result in material financial losses or further breaches of our financial covenants. This could lead to re-prioritisation of investment or a reduction in operation performance and service levels.

Trend Commentary

The outlook for energy prices and other real price effects has improved but remains uncertain. Forward predictions are more favourable as CPIH has reduced significantly from the highs seen in recent years. Recent geopolitical instability combined with national and international economic policy and taxation changes present ongoing challenges. Pressures from changing environmental conditions may require investment to mitigate operational performance.

Examples of mitigations

- Proactively monitoring inflationary pressures, which could impact our cost base and increase the risk to cash collection rates and operating cash flows.
- Transformative capital and operating efficiency plans.

KPIs

- Underlying EBITDA
- Operating cashflow
- Variance to budget

9. Legacy technology failure

Risk

As we modernise our business processes and rely more on digital systems, we depend heavily on secure and resilient technology. A failure of such technology could disrupt our operations and harm our reputation.

Trend Commentary

Ongoing turnaround work has contributed to the risk remaining stable this year. We are updating our legacy applications, a programme that will continue in AMP8. PR24 funding will enable further development and maintenance of our strategic software applications, improving our ability to keep systems up to date.

Examples of mitigations

- Thousand Eyes monitoring provides early warning of incidents across our Cloud / SaaS services.
- Replacement projects for legacy technology.
- Priority Technology and Public Switched Telephone Network replacement projects.
- An Operational Technology upgrade package for all our operational sites.

KPIs:

- % of supported vs unsupported systems

10. Employee & physical asset protection

Risk

A breach of our protective security arrangements could result in harm to our employees or the public as well as loss or damage to operational sites, assets, or services. This could result in service interruption or potential environmental harm as well as substantial remediation costs.

Trend Commentary

Security assessment activity has highlighted an evolving threat landscape. The threat to front-line employees has increased, with rising assaults and damage to our property. Regular Security Risk Assessments (SRAs) allow us to identify and assess risks to the provision of our core services and implement or upgrade our physical, electronic, and procedural measures to mitigate these.

Principal risks and uncertainties (continued)

Examples of mitigations

- Forward reviews, inspections and recommendations relating to both regulatory and internal security standards across our estate, identifying and mitigating risks.
- An established security incident reporting and response process.
- A regularly reviewed security dashboard consolidates reported incidents facilitating bespoke mitigation measures for threats.

KPIs

- Number of SRAs undertaken
- Outputs of SRAs completed

11. Cyber security and data protection

Risk

Failure to protect our data and assets against internal and external threats could disrupt our ability to provide services to customers and protect the environment, impacting our reputation and leading to investigations.

Trend Commentary

Protecting our systems and data is crucial, and we have initiatives which strengthen our cyber security by reducing potential vulnerabilities and refining our incident response processes.

Examples of mitigations

- The Data Loss Prevention strategy reduces the likelihood of data loss by focusing on employees' access to our data from external environments.
- The data governance framework enhances ownership, stewardship, and quality controls across key data domains to support consistent and accountable data management practices.

KPIs

- Internal mock-phishing activity
- Critical asset security breaches
- Number of security vulnerabilities
- Systems data and services recover percentage

12. Performance and resilience of our asset base

Risk

Failure to maintain and improve our asset performance and resilience could lead to gradual deterioration and failures, resulting in disruption to water and waste services health and safety risks, or environmental damage. This could pose challenges to delivering performance outcomes in AMP8 and beyond.

Trend Commentary

This risk has been increasing over previous AMPs, driven by inadequate capital maintenance allowances coupled with the imposition of very stretching performance commitments and associated regulatory penalties. During AMP8 we will submit cases to Ofwat to unlock gated funding for asset improvements, which will help to improve asset performance and resilience. We need to manage the challenge of securing the supply chain capacity needed to efficiently and effectively deliver capital maintenance and investment upgrades, which is not aided by ongoing financial uncertainty.

Examples of mitigations

- Improving our understanding of asset condition ahead of PR29, in line with Ofwat's Roadmap for Enhancing Asset Health.
- A broadened approach to a system-based resilience framework is facilitating a long-term plan to improve resilience.
- Exploring ways to improve the solution design process, whilst remaining compliant.
- Increased maintenance activity in AMP8.

KPIs

- Sewer collapses
- Mains and rising mains bursts
- Number of pollution and serious pollution events
- STW Compliance
- Supply interruptions
- Water quality compliance risk index
- Percentage of gated allowance funds secured

13. Treat wastewater

Risk

Failure to undertake operational wastewater collection, treatment and/or recycling, or blockages and failures on the waste network could result in a sewage discharge to the environment, leading to pollution incidents with adverse public health or environmental impacts including river health, disruption to business and domestic customers, regulatory action, and reputational damage.

Principal risks and uncertainties (continued)

Trend Commentary

Thames Water responsibly collects and treats over 4.7 billion litres of wastewater water every day. However, whilst broadly in lined with the industry median, total numbers of pollution and serious pollution events in FY25 were unacceptably high. Multiple named storms and high levels of rainfall significantly contributed to very high groundwater levels. An increasing population and the development associated with it are putting additional pressure on our already stressed network. These factors, combined with resource constraints, have impacted the delivery of our PIRP. Ofwat also concluded its investigation into wastewater treatment compliance, issuing a fine of £122.7 million. However, the London Tideway Tunnel System is fully connected and has now begun operations to help our system manage the growing population and improve the health of the River Thames. Testing continues ahead of handover expected at the end of 2025.

Examples of mitigations

- Proactive Maintenance Programmes actively manage sewer cleaning and monitor sewer depth with alarm systems to prevent issues.
- The Turnaround Plan for Network Pollutions is now in the delivery phase. In Q1 2024/5, we cleaned a record 500 km of sewers and an additional 400 km in Q2. In 2024/25, the cleaning strategy was subsequently refocused to prioritise pollution reduction.
- Emerging issues with power resilience are being addressed through a new turnaround initiative.
- The Discharge Alert Manager tool monitors and reduces environmental harm from storm overflows, particularly focusing on dry-day discharges.
- EDMs are now operational across our network, and we are working with communities to slow the flow and prevent sewer abuse.

KPIs

- Volume of Proactive Cleaning complete
- Pollutions and serious pollutions
- Discharge permit compliance

14. Supply of wholesome water

Risk

Failure of a water treatment process or a water quality incident could result in disruption to service or potential public health concerns. The need to manage increasing customer demand for water poses ongoing challenges to change customer behaviours.

Trend Commentary

This risk has reduced over the year, and water abstraction, transmission, availability, and quality of supply are continuously assessed. However, ageing infrastructure and increased demand (driven by growth in our region) continues to challenge our ability to deliver sufficient water to customers, even though we have achieved our lowest level of supply interruptions to date.

Examples of mitigations

- Our mains rehabilitation scheme targets deteriorating infrastructure.
- Turnaround Plan initiatives to improve the CRI score and leakage levels are progressing.
- Customer metering programme.
- Water efficiency campaigns.
- Using smart meter data to better understand customer usage patterns and target leakage activity.
- SRO scheme (including SESRO and Teddington Direct River Abstraction) will increase supply capacity to meet the demands of a growing population and strengthen resilience.

KPIs

- Supply interruptions
- Water quality compliance risk index
- Leakage
- Customer Metering Programme

15. Physical or mental harm

Risk

Our commitment to preventing physical and mental harm is grounded in both robust systems and a human-centric culture. This approach protects our workforce, supply chain, customers, and stakeholders.

Trend Commentary

The risk outlook for this year remains stable, reflecting our proactive approach to continuous improvement across operations. A comprehensive review of our Health Safety and Wellbeing (HSW) Framework is shaping a revised business model that equips us to deliver our strategy effectively. Our regularly updated legal register supports proactive compliance through effective horizon scanning, embedding continuous learning and reinforcing a safety culture built on resilient systems.

Examples of mitigations

- The Triple Zero Approach (Zero Incidents, Zero Harm, and Zero Compromise) means colleagues, contractors, and customers are actively involved in advancing HSW best practices where safety is a collective responsibility.
- Rigorous before and after-action reviews and encouraging open dialogue to identify system weaknesses, using these learnings to refine our processes.
- Horizon scanning for legislative changes and industry best practices.

KPIs

- Health and Safety – lost-time injury frequency
- Team Skills Register compliance
- Health and Safety inspections
- Hear for You survey results

Principal risks and uncertainties (continued)

16. Workforce

Risk

Attraction, retention, and engagement of a diverse and inclusive workforce, with the right skills, are essential for us to be able to serve our customers, protect the environment and support our front-line operations. Challenging recruitment market conditions, Government, and regulatory policy initiatives, and adverse media coverage of the water industry continue to be key drivers of this risk.

Trend Commentary

Recruitment for technical skills is difficult for all water companies, but our strategy of widening our pool of potential recruits, for example military leavers and care leavers, and increasing apprenticeships contribute to risk mitigation. A continued focus on employee and Trade Union engagement supports retention.

Examples of mitigations

- Continued focus on our skills and emerging talent activities has widened the pool of potential recruits and supports our aim to have a workforce that reflects the customers and communities we serve.
- Maintaining positive relations with Trade Union Partners.
- Engaging our employees through transparent communication and the 'Hear for You' survey and 'Leadership Experience' surveys.

KPIs

- Voluntary attrition rate
- Employee engagement rate
- Time to hire and recruitment process
- Attraction & Employer Value Proposition
- Proportion of recruitment from untapped talent pools

Task Force on Climate-related Financial Disclosures

Reporting context

In this disclosure, we comply with the requirements of The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, which amended sections 414C, 414CA and 414CB of the Companies Act 2006.¹ Thames Water Utilities Limited is required to comply with the Task Force on Climate-related Financial Disclosures (TCFD) requirements under Condition P of its instrument of appointment, which requires it to report in line with a public limited company. This TCFD disclosure has been prepared in line with the four TCFD recommendations and the 11 recommended disclosures set out in the 'Recommendations of the Task Force on Climate-related Financial Disclosures' report, published in June 2017 by the TCFD, and the 'Implementing the Recommendations of the TCFD' supplementary guidance published in October 2021.² We have considered the TCFD annex, and we consider our approach to be consistent with the 11 TCFD pillars.

The following table provides a guide to where the relevant TCFD disclosure can be found in this disclosure.

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organisation's governance around climate related risks and opportunities. a. Describe the board's oversight of climate related risks and opportunities – page 13 b. Describe management's role in assessing and managing climate-related risks and opportunities – page 15	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's business, strategy, and financial planning where such information is material. a. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term – page 18 b. Describe the impact of climate-related risks and opportunities on the organisation's business, strategy, and financial planning – page 17-18 c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario – page 15	Disclose how the organisation identifies, assesses, and manages climate-related risks. a. Describe the organisation's processes for identifying and assessing climate related risks – page 15 b. Describe the organisation's processes for managing climate-related risks – page 13-18 c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management – page 13-18	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material. a. Disclose the metrics used by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process – page 19 b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks – page 20 c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets – page 19

Our approach to tackling climate change

Providing safe, clean, wholesome drinking water to the communities we serve, while taking away waste responsibly, and protecting this precious resource and the environment for the future drives everything we do.

Whether we are facing more frequent acute weather events that disrupt our operations in the short term, or chronic changes in weather patterns that require long-term strategic responses, it is crucial to have robust plans in place to address both types of challenges.

Climate change will make this more challenging, so it is fundamental that we understand, plan and adapt for the impacts of climate change so we can continue to serve our customers and protect the environment.

Mitigating and adapting to climate change are two pillars of our long-standing sustainability policy, with generation of renewable energy beginning in the 1930s. With the risk of climate change increasing, it is important we make the right decisions today to reduce the impact on future generations.

We continue to invest heavily in our approach to tackling climate change. For example, the Thames Tideway Tunnel is now fully connected, subject to testing prior to the formal handover. Together with other completed Tideway improvements forming the London Tideway Tunnel network, it will reduce sewage discharges into the tidal Thames by 95% in a typical year.

Reporting on climate change

We regularly report on our approach to climate change including:

- In our response to the Adaptation Reporting Power 4 process in the Climate Change Act 2008, we voluntarily reported on any activities that help us mitigate the current and future risks of climate change to the UK Government's Secretary of State.
- Task Force on Climate-related Financial Disclosures where we outline our progress against each of the four pillars of TCFD: Governance, Strategy, Risks, and Metrics and Targets. We will continue to evolve our approach in the coming years, as we address customer needs and align with the evolving regulatory and statutory reporting requirements
- Via strategic plans – Our Water Resources Management Plan (WRMP) and Drainage and Wastewater Management Plan (DWMP) feed into and inform our five-yearly financial plan called the price review. The WRMP and DWMP explicitly consider climate change challenges, risk, mitigation and adaptation in their development. They describe how we will continue to deliver our essential services over the long term (at least 25 years), in the face of challenges and risks such as climate change and population growth
- In our Sustainability Report and ESG Statement, which includes further information about our approach to managing climate change and which can be found on our website

Task Force on Climate-related Financial Disclosures (continued)

Reporting on climate change (continued)

Where to find our detailed public disclosures:

- This Annual Report 2024/25
- Thames Water Utilities Limited Annual Report 2024/25
- Sustainability Report and ESG Statement 2023/24
- Annual Performance Report 2024/25 (available on our website)
- PR24 Our Business Plan 2025-2030 (submitted and updated in April 2024)
- Water Resources Management Plan (2024)
- Drainage and Wastewater Management Plan (2023)
- Adaptation Reporting Power 4 (2024)
- Drought Plan (2022–27)
- Pollution Incident Reduction Plan 2025

Governance

Our Board has ultimate responsibility for climate-related risks and opportunities. Together, our Board Directors have considerable experience in assessing and managing climate change. The TWUHL Board is not deemed to require a committee for Audit, Risk & Reporting and Health, Safety and Environment and Sustainability, as all such these matters are closely monitored by the committees reporting into the TWUL Board.

The TWUL Board approves our overall governance arrangements, oversees the effectiveness of our systems of risk management and internal control, and establishes our risk appetite. The TWUL Chief Risk and Compliance Officer is responsible for developing and maintaining our Enterprise Risk Management framework and supporting the business in embedding this throughout the organisation. Risk is overseen by the TWUL Strategy and External Affairs Director. Our principal risks (see page 5) include risks relating to the physical and transitional risks of climate change and these are reviewed annually by the TWUL Board.

The TWUL Audit, Risk & Reporting Committee (ARRC) meets quarterly, where it reviews our principal and emerging risks, including their management. These risks include those related to protecting the environment and meeting the challenges posed by climate change. See the Governance section of this Report for more information on our governance disclosures (see page 29).

The TWUL Climate Change Working Group has the objective of providing oversight and effective governance of our approach to managing climate change, with a focus on ensuring compliance with relevant statutory and regulatory obligations and reporting. This includes, but is not restricted to, the five-yearly price review, Water Resource Management Planning, Drainage and Wastewater Management Planning, our Adaptation Reporting Power 4 report, TCFD and our net zero transition plans.

The group is led by the TWUL Strategic Planning and Engineering Director and includes senior representation from TWUL's Engineering, Asset & Capital Delivery, Finance, Risk, Strategy & External Affairs, Sustainability, and Energy and Carbon teams. The group reports to the TWUL Executive Committee, led by the TWUL CEO and attended by the TWUL CFO.

Strategy

At Thames Water, adapting to and mitigating our contribution to climate change have been important parts of how we do business for a long time, and we are continuing to improve the way climate risk becomes an inherent part of our strategy and business planning.

Our plans for 2025-2030

Every five years, we publish our plans for the next planning period. We have developed our AMP8 plan through extensive engagement with our customers, our communities, our Customer Challenge Group, our supply chain and the active involvement of our Board. We set out our plans for the 2025-2030 period in Our Business Plan 2025-2030 that we submitted to Ofwat at the start of October 2023 and updated in April 2024. In February 2025, we asked Ofwat to refer our Final Determination for PR24 to the Competition and Markets Authority (CMA) for a re-determination. This was deferred in March 2025.

Our Turnaround Plan

We are working to turnaround our business to address our shortcomings, the increasing expectations from our customers, and long-term challenges such as climate change and population growth. Our plan continues the task of addressing the historically under-funded investment in our ageing network. It will improve our readiness to meet the twin challenges of climate change and population growth, while continuing to deliver life's essential service.

Climate change

The turbulent weather patterns we have experienced over recent years have tested the resilience of our services. It is one of our biggest challenges. In its simplest terms, the potential impact of climate change on our business can be described as: too much (e.g. flood), too little (e.g. drought) or the wrong kind of water (e.g. sewer flooding).

Although the timing and extent of climate change remains uncertain, our approach to tackling it is clear. We are adapting our business to meet the challenges and play our part in mitigating them. This approach is a cornerstone of our commitment to becoming more sustainable.

Our ambition is a world where we have learnt from the past and adapted to the future to improve our service for our customers and the world around us. The plans we've developed and published take at least a 25-year forward look for both water resource management, and drainage and wastewater management, and also explicitly take climate change and its uncertainty into account.

While climate change is explicitly considered in these plans, it is not in isolation from the other significant risks that impact on our business, including population growth, environmental regulation, financeability and affordability to customers.

Task Force on Climate-related Financial Disclosures (continued)

Strategy (continued)

Mitigation

We continue to actively support and contribute to the reduction of greenhouse gas emissions to mitigate the devastating impacts of climate change. When developing our plans to address carbon emissions, there are four partly overlapping objectives:

1. Mitigating our contribution to climate change, to limit the effect it has on the business
2. Addressing an issue which is important to customers
3. Taking action to reduce operating or capital cost in the long term (especially when the costs of carbon are considered)
4. Supporting UK Government targets and meeting the expectations of our regulator

Our mitigation strategy uses a carbon management hierarchy that follows best practice and prioritises tackling our own emissions ahead of reliance on others. This is consistent with customers' and the regulators' views that emissions should be avoided and reduced, before using offsets to tackle emissions which cannot be reduced.

We will apply this strategy in the following ways:

- **Avoid** – Where possible, we will avoid producing emissions. This will include actions to reduce demand, limit travel and avoid building by looking for other solutions to deliver the required outcomes.
- **Reduce** – Where economically and technologically possible, we will reduce emissions from our activities. This includes our actions to reduce waste by changing behaviours and optimising processes, improving efficiency, building less by making the most of our existing assets, and building efficiently with low carbon designs, techniques and equipment.
- **Replace** – Where economically and technologically possible, we will replace emission sources with alternative fuels and materials. This includes our purchase of renewable energy, and our actions to maximise renewable energy generation, replace fossil fuels with low carbon alternatives and use vehicles powered by low carbon fuels.
- **Offset** – Offsets provide the final option to net-off emissions that can't be practicably avoided, reduced or replaced. Offsets can be internal (generated by us) or external (generated by a third party) and include emissions displacement, capture and sequestration. Examples of internal offsets are Renewable Energy Guarantee of Origin (REGOs) for exported renewable electricity and Renewable Gas Guarantee of Origin (RGGO) for exported renewable biomethane.

While we do not control emissions from our supply chain, we recognise that the goods and services we procure have an environmental impact that we can influence. We are committed to collaborating with our supply chain to find solutions to reduce carbon emissions or develop alternative offerings.

We made a pledge in 2019 for our operations to become net zero by 2030. However, since we made our pledge, there have been some significant changes to the original assumptions used by ourselves and the wider water sector, which significantly impact the size of the net zero challenge.

These include:

- Changes to our understanding of the levels of nitrous oxide emitted from the wastewater treatment process, a significant operational emission
- Increased operational emissions due to changes in reporting scope boundaries
- Additional carbon impacts associated with increases in treatment standards
- Guidance from Government to consider phasing non-statutory commitments including Net Zero to future planning periods, reflecting concerns around customer affordability, deliverability and financeability of Price Review 2024 plans

These developments have been reflected in our AMP8 plan submitted to Ofwat. They do not change our desire to achieve net zero, and we are currently reviewing our route map to fully understand the challenges and opportunities they present and how these will impact on our net zero plans. We will publish an updated overview of our net zero goals when complete.

Adaptation

We have been using climate scenario analysis since 1999 to understand the different pressures climate change creates – such as water resource availability, water demand and flooding potential – and to help us make the best strategic and investment decisions to meet the challenges of an uncertain climate future. This includes managing our resources more effectively and improving the resilience of our infrastructure. You can read more about our planning and scenario analysis (see pages 14-15.)

While climate change impacts are intensifying and there is increasing global focus, there is still a lot of uncertainty associated with the timing and scale. That is why we are taking an 'adaptive pathways approach', which is a way of making decisions when the future is uncertain. It means our responses to different types of risk can be changed or accelerated if the effects are greater or the pace of climate change is faster than we had projected. We will constantly monitor our progress and adapt our strategy as we learn more about climate change.

In November 2024, we submitted our fourth Adaptation Reporting Power 4 report to Defra. In it, we described our understanding of the impacts of climate change on our business and the actions we are taking to minimise them. Our 2024 submission is available on our website.

Scenarios

We first used climate change data in 1999 to inform Water Resource Management 99 (WRMP99). During the development of our current plans, we have used UK Climate Projections 2018 (UKCP18) probabilistic climate change projections and climate scenario analysis to understand the different pressures climate change creates – such as water resource availability, water demand and flooding potential – so that we make appropriate strategic and investment decisions to meet the challenges of an uncertain climate future.

This includes managing our resources more effectively and improving the resilience of our infrastructure. There remains a lot of uncertainty associated with the timing and scale. To help us manage this uncertainty we are using an 'adaptive pathways approach', which is a way of making decisions

Task Force on Climate-related Financial Disclosures (continued)

Strategy (continued)

when the future is uncertain. As we get better information either about climate change itself or its impact on our activities, our responses to different types of risk can be changed or accelerated if the effects are greater or the pace of climate change is faster than we had projected.

Using scenarios

As part of our five-yearly regulatory planning cycle, we already consider and manage a range of climate-related risks and opportunities. We use UK Climate Projections 2018 (UKCP18) modelling to increase our understanding of how climate will impact our business.

There is a large degree of uncertainty in the long-term modelling that we do. This is because of the outcomes from different emissions scenarios and the complexity of climate modelling. Scenario planning helps us to frame our options for strategic infrastructure investment and climate adaptation activities so we can adapt depending on which future pathway emerges.

We have undertaken a substantial amount of modelling to assess the impact of future climate scenarios, looking at key climate-related risks. This has helped inform and shape our strategic plans. These relate primarily but not exclusively to water resource availability, water demand and wastewater management. A detailed description of these key risks, the regions that may be impacted and the strategies in place to manage them are outlined in our WRMP (covering the period 2025-2075) and DWMP (covering the period 2025-2050).

Representative Concentration Pathways

To model and project the future climate, it's necessary to make assumptions about the economic, social and physical changes to our environment that will influence climate change. Representative Concentration Pathways (RCPs) are a method for capturing such assumptions within a set of scenarios. The conditions of each scenario are used in the process of modelling possible future climate evolution.

The RCPs represent a broad range of climate outcomes but are neither forecasts nor policy recommendations. They include a wide range of assumptions regarding population growth, economic development, technological innovation, and attitudes to social and environmental sustainability. Each pathway can be met by a combination of different socioeconomic assumptions.

RCPs can be represented by the levels of temperature change compared to the preindustrial period that result from each scenario.

RCP2.6 – represents a pathway where greenhouse gas emissions are strongly reduced, resulting in a best estimate global average temperature rise of 1.6°C by 2100 compared to the preindustrial period.

RCP8.5 – represents a pathway where greenhouse gas emissions continue to grow unmitigated, leading to a best estimate global average temperature rise of 4.3°C by 2100 compared to the preindustrial period.

The potential implications of climate change on our activities have been reflected in the development of our key long-term Company plans including:

- PR24 Our Business Plan 2025-2030 (updated in April 2024)
- Water Resources Management Plan (2024)
- Drainage and Wastewater Management Plan (2023)

Water Resource Management Planning

If we do nothing, we could face a shortfall of over 1 billion litres of water per day by 2050 of which 140MI/d is due directly to the impacts of climate change. A further 321 MI/d of shortfall is associated with providing resilience to a one-in-500-year drought. To meet this shortfall, we must make the best use of the water we have by tackling leakage, reducing demand and investing in new strategic sources of water.

Our WRMP, which has been signed off by the Government, sets out how we will achieve a secure supply of water for our customers whilst protecting the environment, accommodating population growth and reflecting climate change challenges. WRMPs are long-term plans that require us to forecast future scenarios using a range of data.

The further ahead we look, the more uncertain the future is, and we take this into account by using an adaptive pathways approach. This allows us to identify the different potential options we could require. Consequently, we have undertaken extensive modelling to assess the impact of climate change on our supply capability under different future climate scenarios.

In our Water Resources Management Plan (WRMP) we set out that the 50th percentile of results from RCP8.5 probabilistic projections would be considered by Ofwat to be a 'high' (severe) future and that the 50th percentile of results from RCP2.6 probabilistic projections would be considered a 'low' (benign) future.

Our latest WRMP used the UKCP18 climate change scenarios which provide the most up-to-date, comprehensive set of climate change projections available for the UK. UKCP18 emissions scenarios are classified on the basis of changes to radiative forcing rather than socio-economic assessment. Further detail is provided in Appendix U of the WRMP.

We have taken an adaptive pathways approach in our Water Resources Planning for WRMP. This adaptive approach means that we will not have a single 'plan' for the next 50+ years, because the level of uncertainty present over that period would make a single, fixed plan highly inefficient and/or unsuitable. Instead, we have set out investment to solve short-term supply-demand balance risks and then will have longer term alternative pathways which will set out what investment would be most efficient under different futures.

Task Force on Climate-related Financial Disclosures (continued)

Strategy (continued)

Regional thinking

Through Water Resources South East (WRSE), we are working with the other five water companies that supply the region's drinking water. We have developed a joint plan that addresses the climate and environmental challenges threatening our water resources. This collaborative approach means we can look beyond our individual boundaries and work together to secure the region's future water supplies.

Drainage and Wastewater Management Plan

In a comparable way to how we've developed our long-term WRMP, we've produced our first Drainage and Wastewater Management Plan (DWMP), based on the national DWMP Framework.

Our DWMP sets out the risks and pressures for our drainage and wastewater service, including climate change, population growth and protecting the environment. We engaged around 2,000 customers and stakeholders between 2019 and 2023, and collaborated with our regulators to create the plan, and it helped to inform our PR24 business plan development. It's our first long-term plan (covering the period 2025-50) to deliver a resilient and sustainable wastewater service, with a roadmap for how we can adapt our wastewater service to cope with future challenges.

DWMP adaptive planning

Adaptive planning including climate change is integral to our approach to developing our DWMP. As with the WRMP, we've looked at adaptive pathways planning in the context of RCP2.6 and RCP8.5 which model potential future climate evolution. More detailed information can be found in Appendix G of our DWMP.

Ofwat

As part of the development of the five-year business planning cycle we produce for our economic regulator Ofwat, we have reviewed it in the context of RCP2.6 and RCP8.5. Ofwat's guidance on long-term delivery strategies sets out that, within our adaptive planning, we should consider a 'low' future scenario based on the 50th percentile of RCP2.6 probabilistic projections and a 'high' future scenario based on the 50th percentile of RCP8.5 probabilistic projections.

The Long-term Delivery Strategy section of the plan includes several leading and lagging monitoring metrics related to climate change.

Risk management

Climate change has the potential to significantly impact our business, and we already consider and manage a range of climate related risks and opportunities. We are evolving our understanding of the interconnectivity of climate change risks and opportunities, and how best to manage these so that climate change risk and its management are fully integrated into our wider strategy. See page 5 for more information about our approach to understanding and managing risks, including those related to climate change.

We have a robust approach to considering and managing our risks so we can deliver our Purpose and objectives, while also seeking to mitigate and control our risks, including climate change, to an acceptable level rather than eliminating them completely.

How we manage risk

Embedding a clear and consistent approach to risk oversight and governance is key so that risk management is effectively implemented across the business. The Board has overarching responsibility for the effectiveness of the risk management and internal control systems, supported by the ARRC, which maintains oversight over the principal risk landscape and how the business is responding. We follow the established Three Lines Model to enable an effective relationship between risk, control and assurance. All of our principal risks are owned by a member of our Executive Committee and sponsored by one of our Non-Executive Directors. All principal risks are disclosed within this Annual Report on page 5.

Our company-wide risk management process also supports the identification of opportunities. For example, generating renewable energy from sludge helps us mitigate both the risk of greenhouse gas emissions as well as the risk associated with increased challenge around recycling sludge to land.

Where we are going

As we evolve our climate change understanding, we are continuing to review the risks and opportunities, building on existing information.

Transition risks – Risks that arise because of economic and regulatory transition toward a low carbon future.

Physical risks – Risks caused by physical shocks and stressors to natural systems and infrastructure. For more information see our Adaptation Reporting Power 4 report.

Opportunities – Uncertainties that could bring other benefits and mitigations. Our WRMP and DWMP explicitly consider climate related opportunities. A sample of these is set out below.

Task Force on Climate-related Financial Disclosures (continued)

Risk management (continued)

Transition risks

Risk	Drivers	Potential Impacts	Opportunities and mitigations
Failure to achieve net zero operational emissions by 2030	Since we made our net zero pledge in 2019 there have been some significant changes to the original assumptions used by ourselves and the wider water sector, which will impact the size of the net zero challenge	- Increasing size of the net zero challenge - Higher overall costs to achieve net zero - Achievement of net zero delayed - Reputational impacts - Higher future costs to achieve net zero	- Develop investment plans in line with our emissions management hierarchy for inclusion within the regulated price review process - Make regulators and policy makers aware of the key challenges the sector faces so that they can be considered in policy and regulation - Collaborate across the sector and beyond, and access innovation funding to target ways to address the hardest to abate residual emissions
Changing regulation, subsidies, and incentives	New or changing policies, subsidies and incentives that impact on how we deliver water and wastewater services	- New or changing policies and levels of Government support may impact financial viability of interventions - Higher overall costs to achieve net zero - Achievement of net zero delayed - Higher future costs to achieve net zero	- Make regulators and policy makers aware of the key challenges the sector faces so that they can be considered in policy and regulation - Diversify low carbon investment options - Monitor policy and regulation changes
UK electricity grid fails to decarbonise in line with Government Policy	Carbon emissions associated with grid electricity are a significant element of our location-based operational emissions, and their reduction is central to achieving net zero	Any delay to the decarbonisation of the electricity grid will impact the timing and cost of achieving net zero using the location-based reporting approach	- We have assumed that the UK electricity sector will decarbonise in line with Government policy and ambition - Explore additional onsite renewable energy generation opportunities, alongside energy efficiency, to reduce emissions associated with energy consumption and to protect ourselves from price volatility within the energy markets
The wider UK economy fails to decarbonise in line with Government targets	We are reliant on the wider economy decarbonising in line with Government targets, in order to provide water and wastewater services in a low carbon way	- Achievement of net zero delayed - A requirement to consider offsets for Scope 3 emissions - Higher overall costs to achieve net zero	Collaborate with the supply chain and wider industry to find solutions to reduce carbon emissions or develop alternative offerings
Lack of availability and affordability of low carbon goods and services	Growing demand for low carbon goods and services, driven by the need to reduce the carbon intensity of delivering water and wastewater infrastructure could lead to a lack of availability or rising costs	- Avoidable carbon emissions locked into solution delivery - Higher project delivery costs - Achievement of net zero delayed - Higher overall costs to achieve net zero - Reputational impacts	Actively engage with delivery partners and supply chain to highlight plans and the requirement for low carbon goods and services
Deliverability, financeability and affordability of moving to a low carbon future	Investment to deliver emissions reductions cannot be fully funded through the five-yearly regulated price review cycle due to deliverability, financeability and affordability challenges	- Bill impacts and affordability issues for some customers - Achievement of net zero delayed - Reputational impacts - Higher future costs to achieve net zero	- Engage with regulators and Government bodies to align plans and encourage incentives in areas of need - Provide additional support to struggling bill payers
Conflicting policy or regulation driving increases in emissions	Not all regulatory drivers are aligned in terms of managing and reducing carbon emissions, which could lead to increased emissions	- Increase in scale and scope of carbon emissions driven by changing environmental regulation and scope - Increase in unfunded and undeliverable emissions reductions requirements - Increasing size of the net zero challenge - Higher overall costs to achieve net zero - Achievement of net zero delayed	- Work with key stakeholders including Government and regulators to understand the impact of changes to standards on carbon emissions - Work with supply partners to reduce our capital carbon emissions - Seek to proactively reflect any changes in future statutory business plans

Physical risks – Water

Risk	Drivers	Potential Impacts	Opportunities and mitigations
Failure to provide enough wholesome drinking water	- Higher temperatures, hotter, drier summers and increased frequency, duration and intensity of droughts will increase demand and reduce water availability - Population growth will also increase demand and compound climate change pressures - An increased customer awareness of environmental, climate change and associated water risks	- Additional infrastructure investment required to secure water supply - Additional operational costs to support supply during droughts, reduce leakage and reduce customer consumption - Regulatory penalties/fines could increase	- Deliver agreed Water Resources Management Plan which assesses and plans for future water resource needs including climate change (see p38) - Reduce leakage by 50% by 2050 - Increase penetration of smart water meters - Improve our resilience to a one-in-200-year drought by 2030 - Support customers to use less water

Physical risks – Wastewater

Risk	Drivers	Potential Impacts	Opportunities and mitigations
Failure to effectively transport and adequately treat wastewater	- More intense rainfall events increasing volumes of water to wastewater systems - Additional demands on wastewater systems - Increased population and land cover leading to increased runoff - Increased customer awareness of climate change and associated wastewater risks e.g. river health	- Additional infrastructure investment required to secure performance - Additional operational costs to provide service e.g. during extreme weather events - Regulatory penalties/fines could increase - Potential damage to infrastructure - Increased risk of flooding both to properties and the environment	- Deliver funded elements of our Drainage and Wastewater Management Plan in AMP8 - Work with London boroughs to deliver sustainable urban drainage to slow the rate at which rainwater enters sewers, reducing the risk of flooding - Deliver Pollution Incident Reduction Plan (PIRP) building on existing plans to systematically manage risk and reduce pollution incidents under a single, overarching framework

Task Force on Climate-related Financial Disclosures (continued)

Risk management (continued)

Potential future impacts of climate change on our financial performance

- Increased climate change and sustainability reporting complexity and associated costs
- Adapting to and mitigating climate change could bring challenges around affordability and fundability
- Delays in obtaining approval for Strategic Resource Options could negatively impact the future cost to deliver, and water available to customers
- Increasing drought severity and frequency combined with hotter, drier summers and population growth leading to increased capital investment, operational cost, service impacts, penalties and compensation
- Hotter drier summers and more frequent and intense drought will require additional investment in water infrastructure such that we meet consumer expectations and regulatory requirements
- Changes to the original assumptions and scope for carbon reduction that have a direct impact on the size, cost and deliverability of the decarbonisation challenge
- Our regulated capital value may increase with investment as we invest to manage and mitigate climate change challenges. Failure to respond effectively could impact investor confidence
- Wetter, warmer winters coupled with more frequent and intense storm events together with population growth, leading to increased capital investment, operational cost, service impacts, penalties and compensation
- Increased customer awareness around climate change and associated water risks together with changing expectations may increase operational and capital investment costs to respond to these challenges
- Increased frequency and duration of wet weather could increase the risk of flooding, pollution events, fines and penalties

Time horizons

Our current climate risk assessment processes look at various timelines, in step with our wider risk management process and our business and strategic planning timelines. The short-term horizon reflects day-to-day operational challenges. The regulatory time horizon relates to the five yearly financial regulatory planning cycle. The strategic long-term period reflects a longer time frame beyond, but linked to, the regulatory review period. The time horizons are described in more detail below:

	Tactical short-term	Regulatory review period	Strategic long-term
Time Horizon	0-2 years	5-year regulatory period	6 to 25 years
Approach	Implementing tactical response plans for delivery of our annual performance targets in the face of acute physical risks informs the need for future improvements. Focus includes incident management plans & process-driven response plans, drought plan and localised response strategies. This is considered an operational timeframe reflecting weather events.	Every five years we produce a business plan that describes what we need to deliver in the next five-year period so that we can deliver water and wastewater services within a longer 25-year context. These five yearly financial plans are called Price Reviews and result in a Regulatory agreed rolling 5-year investment plan. For AMP8, we will have a key focus on river health and leakage to accommodate the impacts of climate change, population growth and urbanisation.	Long term plans exploring & accounting for the future potential risks we may face, including climate change uncertainty. How we will meet future challenges, and the steps that need to be considered. Our Long-term Delivery Strategy included in the plan includes several leading and lagging monitoring metrics where the driver is climate change. Water Resources Management Plan produced every five years with a 25 year plus outlook. Our latest WRMP was published in August 2023 and sign-off by the Secretary of State for Environment, Food and Rural Affairs in November 2024. Publishing our first Drainage and Wastewater Management Plan looking at wastewater requirement in 2023.
Includes	Undertaking an appraisal of the health of our assets to inform our Asset Health Insight. Assessing and delivering operational tasks/operation & maintenance of assets.	Engaging with key stakeholders to agree response plans including Environment Agency, Ofwat, Customers and local communities. Use of scenarios to determine responses. Assessment of capital investment needs including the promotion and delivery of large-scale capital solutions.	Proactive engagement with Government and regulators to inform and help shape a long-term coordinated regulatory framework at the regional and sector level. Active consideration of the potential long-term impacts of climate change on our essential services in Water Resources Management Plan and Drainage and Wastewater Management Plan. Our Long-term Delivery Strategy metrics will have clear owners and executive sponsors, trigger points and at least annual monitoring.
Relationship	The time horizons represented here are dynamic and interrelated.		

Time horizons are considered as part of our climate risk assessment process – see risk section on page 6 for more information.

Task Force on Climate-related Financial Disclosures (continued)

Metrics and Targets

We are measuring and monitoring our response to climate-related risks and opportunities as part of our ongoing commitment to addressing climate change. Our well-established approach to climate change mitigation (reducing emissions and environmental impact) and adaptation (enhancing resilience to climate impacts) has led us to integrate a comprehensive set of climate-related metrics and targets into our business planning. Our climate-related goals are aligned with both current and future sustainability objectives.

These metrics and targets are consistent with our day-to-day operations but are also embedded in our Annual Report and Accounts, Annual Performance Report, Sustainability Report, and Environmental, Social, and Governance (ESG) Statement. This transparent reporting framework enables stakeholders – including investors, customers, regulatory bodies, and the public – to track our progress, evaluate our climate strategy, and understand the actions we're taking to mitigate risks and identify opportunities associated with climate change.

We're building a comprehensive understanding and response to the causes and impacts of climate change. Our ongoing challenge is to align our actions with our broader environmental goals and regulatory expectations and for our actions to deliver long-term value to both the business and the communities in which we operate. These commitments reflect our proactive approach to climate change, supporting the global transition to a more sustainable and resilient future.

The following metrics and targets are used to help us assess and manage climate change-related risks and opportunities:

Area	Metric description	2025	2024	Related Activities (A)/Targets (T)/ Performance (P)
Reducing GHG Emissions	Net Scope 1, 2 and 3* GHG operational emissions (ktCO ₂ e) market based. (See Directors' report p93-94 and Annual Performance Report Table 11A for more detail).	347.4	350.4	- Meet our share of the Government's sixth carbon budget by limiting the volume of operational and capital greenhouse gases by 78% by 2035. (T) - Review and update our net zero plans. (A) 100% of purchased electricity is from renewable sources (P) - Increase the amount of self-generated renewable energy. (A)
Transition Risks	Need to increase self-generated renewable energy (Total GWh generated).	475	531	- Increase the amount of self-generated renewable energy. (A) - Improve energy security and reduce impacts of price volatility by generating more renewable energy. (A) - Use energy more efficiently. (A)
	Reducing electricity costs and volatility impacts (% self generated renewable electricity).	19.5	21.1	Improve energy security and reduce impacts of price volatility by generating more renewable electricity. (A)
Physical Risks	Need to maintain Security of Supply Index at 100 (%).	98	99	- Maintain Security of Supply Index (SOSI) of 100% reflecting our ability (resilience) to maintain a water supply, particularly during a drought, both in the short and long-term reflecting climate change. (T) 0% of customers at risk from a 1 in 500-year drought by 2040. (T)
	Reduce the population at the risk of sewer flooding in a storm from a 1 in 50-year storm (%).	10.23	10.25	- Produced 25-year Drainage and Wastewater Management Plan with targets that accommodates climate change. (P) - Reduce internal sewer flooding by 17% compared to 2024-25 exit position by 2030 (proposed). (T) - Protect c187,000 properties that will be at risk in the future, due to population growth and climate change from sewer flooding by 2050. (T)
Climate related Opportunities	Reducing Per Capita Consumption (%)	3.4	4.8	- Reduction in domestic PCC of 7.8% compared to a 2019/20 baseline by 2030. (T) - Per capita consumption plan. (A) - Water efficiency activities. (A)
	Reduce leakage and pressure on resource (%).	13.2	10.7	Achieve 50% Leakage reduction by 2050. (T)
	Increase hectares of impermeable surfaces removed in AMP7 (ha).	28.67	4.56	- Reducing pressure on sewer network. (A) - Planning to remove over 7500 hectares of impermeable surfaces by 2050. (T) - Collaborating with Local Authorities to deliver projects. (A)
	Net operational carbon (ktCO ₂ e) per £million revenue (location based).	0.22	0.24	- Increase the amount of self-generated renewable energy. (A) - Use energy more efficiently. (A) - Reduce operational emissions. (A) - Increase the amount of self-generated renewable energy. (A)
Capital/Financial	CEO/CFO Performance Related Plan are linked to environmental outcomes (%).	35	35	- CEO/CFO Performance Related Plan is linked to environment outcomes including net energy usage. (T) - Managers Performance Related Pay Plan to include environmental outcomes. (A)

Managing carbon emissions

The UK Government has set a national target of net zero carbon emissions by 2050. Thames Water and the water industry has a significant role to play in achieving the national target since together we contribute around 1% of the UK's greenhouse gas (GHG) emissions. This was recognised in Ofwat's 2022 position paper, which set an expectation for the water industry to align with the Government's net zero targets for 2035 and 2050, and for operational and capital carbon emissions to be addressed "in parallel".

Task Force on Climate-related Financial Disclosures (continued)

Metrics and Targets (continued)

Managing carbon emissions (continued)

Relevant metrics are described above. Our Long-term Delivery Strategy (LTDS) includes additional leading and lagging monitoring metrics related to climate change. We are working to embed the monitoring of the LTDS monitoring metrics into our existing framework so that there will be clear owners and executive sponsors for each trigger point, an assessment of the monitoring metrics at least annually, and an established tracking and governance framework, with escalations to the Board where necessary.

We aim to meet our share of the Government's sixth carbon budget by limiting the volume of operational and capital greenhouse gases by 78% by 2035 compared to 1990 levels and to achieve net zero by 2050. By reducing emissions, we will provide a better environmental outcome for customers and reduce our contribution to the causes of climate change.

For the period 2025-30 concerns regarding water companies' deliverability, financeability and customer affordability have been highlighted, resulting in the Environment Agency writing to companies on behalf of the Secretary of State for the Environment, providing a steer that companies are expected to explore opportunities to phase non-statutory commitments, including net zero, to future price review periods where appropriate.

Emissions by scope

Greenhouse gas (GHG) emissions are measured and reported in carbon dioxide equivalents and defined by reporting scopes. Carbon accounting is an evolving subject, and we will regularly review standards and best practice so that appropriate reporting is applied in compliance with annual reporting requirements.

The most common GHGs are carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O), with the impact from a unit of carbon dioxide used as a reference for all GHGs. Each has a different global warming potential (GWP) for a 100-year time horizon of 1, 28 and 265 GWP respectively).

Combining the quantity of each gas emitted with its GWP allows GHGs to be reported in tonnes or kilotons of carbon dioxide equivalent (CO₂e).

The Greenhouse Gas Protocol defines three emission scopes:

- Scope 1: direct emissions – the emissions from owned or operated assets
- Scope 2: indirect emissions – the emissions from purchased energy
- Scope 3: indirect emissions – other emissions from suppliers, distributors, and product use.

Scope 1	Scope 2	Scope 3
Direct emissions from burning of fossil fuels	Purchased electricity	Category 1: Purchased goods and services
Process and fugitive emissions	Electric vehicles	Category 2: Capital goods
Transport: Company owned or leased vehicles		Category 3: Fuel and energy related activities Category 5: Waste generated in operations Category 6: Business travel

The water industry uses the following terms to describe its emissions across these scopes:

- Operational emissions: Emissions associated with the day-to-day running of the business, and the operation and minor maintenance of an asset
- Capital emissions: Emissions associated with capital assets; the creation and end-of-life treatment of an asset, and its capital maintenance and refurbishment which would materially extend the asset life

We have been reporting operational emissions since 2008/09. The baseline year for Government reduction targets is 1990. In 2024/25, using a market-based methodology (which includes the impact of our green power purchases), we have achieved a 73% absolute reduction in Scope 1 and 2 emissions compared to 1990. This reduction has been achieved whilst serving the equivalent of almost 4 million additional customers.⁹

In 2024/25, our annual net emissions (market based) were 347.4 ktCO₂e. We continue to implement low-cost measures to reduce operational carbon consistent with our carbon management hierarchy.

During AMP7, we made progress in managing our carbon emissions including:

- Our reported net operational emissions (market based) increased from 270.8 kt CO₂e to 347.4 kt CO₂e over AMP7. This was driven by broadening the scope of emissions included in our reporting, by introducing emissions from chemicals, disposal of waste, and well-to-tank emissions associated with fuel and electricity use. However, we reduced our emissions associated with burning fossil fuels by 12.8 kt CO₂e in AMP7 through initiatives such as prioritising biogas in process boilers.
- Self-generating 262.4 GW of renewable electricity
- Delivered two Gas to Grid facilities in London where biogas is converted into biomethane to inject into the gas grid. These installations provide energy equivalent to the cooking and heating requirement of almost 7,000 homes
- Increased the amount of installed solar PV capacity by 4.3 MW
- The purchase of 25 all-electric utility vehicles to support a range of operational activities across multiple sites as a part of our fleet replacement programme
- Over the past year, working with our partner Cusack, we have recycled 37.7 tonnes of plastic waste from traffic management cones and barriers. The recovered plastic was turned into new cones and barriers, avoiding waste going to landfill and 82 ktCO₂e of carbon

Financial Review

Key financial performance indicators

	Audited 2025				Unaudited ¹ 2024			
	Underlying	Exceptional items	BTL	Total	Underlying	Exceptional items	BTL	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Revenue	2,602.8	-	135.4	2,738.2	2,401.4	-	116.8	2,518.2
EBITDA	1,334.6	(219.9)	135.1	1,249.8	1,208.0	(43.9)	116.6	1,280.7
(Loss)/Profit after tax	(180.6)	(420.2)	164.3	(436.5)	(120.0)	(62.6)	87.4	(95.2)
Investment in assets ²				2,225.1				2,083.7
Liquidity ³				1.7bn				2.5bn
Gearing (%) ⁴				84.4				80.6

¹For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note

²The investment in assets includes £0.1 billion (2024: £0.1 billion) assets which have been constructed under self-lay by third parties at nil cost

³As at 31 March 2025, cash of £0.2 billion and £1.5 billion committed super senior loan facility, but subject to conditions precedent for drawing that were not yet met; the facility was partially drawn down subsequent to 31 March 2025 following creditor waivers

⁴Ratio of covenant net debt to Regulatory Capital Value (RCV) of the Thames Water Utilities Limited Group.

Bazalgette Tunnel Limited (BTL) is an independent company, appointed in 2015 to construct the Thames Tideway Tunnel. We have recognised revenue, cost and profit on the arrangement with BTL and have disclosed our underlying performance separately as required by some of our financial covenants. Information on how these Group accounts for this arrangement is detailed in the accounting policies.

Revenue

Underlying revenue of £2,603 million represents an increase of £201 million compared to 2023/24. This increase was driven primarily by rises in our charges for water and wastewater services, per our allowed regulated revenue.

Our 2024/25 allowed revenue reflects a Consumer Prices Index including Owner Occupiers' Housing costs (CPIH) inflation rate of 4.2%, regulator-approved "K" factors of -4.9% for water and +4.1% for wastewater. These increases were partially offset by historic wholesale and retail Outcome Delivery Incentive (ODI) penalties, which have a two-year lag flowing through into revenue.

EBITDA

Underlying EBITDA of £1,335 million represents an increase of £127 million compared to 2023/24. This was driven by the increases in revenue, offset by a £72 million (6%) increase in net operating expenses.

Increases in net operating expenses are due to higher insurance costs (£30 million) predominantly the result of higher claims provisioning, third party supplier costs (£23 million), IT costs (£17 million), Rates (£15 million) resulting from a new Valuation Office listing period and higher employment costs (£6 million). This was partially offset by a reduction in power costs (£19 million) resulting from lower power prices over broadly similar usage across the year.

Bad debt remains a key focus for management, with charges decreasing by £2 million to £86 million, equivalent to 3.8% of total household appointed revenue (FY24: 4.3%). Of this, £42 million related to current year bills, which is accounted for as a deduction to revenue.

We continue to support our financially vulnerable customers who cannot afford to pay their bills in full through the use of social tariffs and other proactive support, with £116 million of customer assistance provided in this financial year.

Other Operating Income of £150 million, increased by £1 million compared to 2023/24. Income within the period included £34 million associated with the relocation and construction of a new Sewage Treatment Works in Guildford.

Exceptional operating costs of £220 million, represent an increase of £176 million compared to 2023/24. Exceptional costs in the year relate to the recognition of £122 million in relation to provisions raised for fines as a result of Ofwat investigations, £65 million for advisors assisting in the equity raise and balance sheet restructuring process, and £33 million on turnaround and transformation expenditure.

Exceptional costs are partially offset by increases in Bazalgette Tunnel Limited (BTL) revenue of £19 million, resulting in a total EBITDA of £1,250 million, a decrease of £31 million compared to 2023/24; this EBITDA results in £1,289 million of operating cash flow, as discussed in the cash flow statement section.

Operating profit

Underlying operating profit of £556 million, increased by £111 million compared to 2023/24. This was driven by growth in underlying EBITDA, which was partially offset by a £15 million increase in depreciation, amortisation and movements in asset impairment.

Total operating profit of £471 million decreased by £46 million compared to 2023/24, reflecting the impact of exceptional costs and BTL in the period, as discussed in the previous section. The Thames Tideway Tunnel is not yet fully operational; however, on handover, our accounts will reflect depreciation on this right-of-use asset over its 120 years of useful economic life.

Financial Review (Continued)

Loss/Profit before tax

Underlying loss before tax of £292 million, increased from a £83 million of loss before tax in 2023/24. This £210 million movement was driven by losses on financial instruments, offset by increase in operating profit.

Total loss before tax was £662 million, increased from a £10 million of loss before tax in 2023/24. Total loss before tax in the year includes £135 million of profit on BTL and exceptional expenditure totalling £505 million, broken down as follows:

- £285 million of exceptional financing costs, including consent fees related to our restructuring plan
- £122 million of provisions raised for fines as a result of Ofwat investigations
- £65 million of fees for advisors supporting in the equity raise process and balance sheet restructuring process
- £33 million of turnaround and transformation expenditure

With the exception of turnaround expenditure, which enables more efficient and improved services for customers, the above costs will not be borne by customers, as reported within our Annual Performance Report.

Tax

In the reported financial year the Group paid £206 million to HMRC in business rates, PAYE, National Insurance Contributions, and other taxes. The corporation tax charge is based upon the standard rate of corporation tax in the UK of 25% applied to profits earned during the 12 months to 31 March 2025. The Group is not currently in a cash tax paying position with HMRC (although it does pay or receive amounts for group relief), primarily due to capital allowances on capital expenditure, tax deductions for borrowing costs and group relief which has arisen on interest expenses across the Group. Of the £206 million, £196 million was incurred directly, mostly through business rates and employer National Insurance Contributions, and £10 million was incurred through indirect taxes such as the Climate Change Levy, Landfill Tax and Insurance Premium Tax. The underlying tax credit of £111 million comprised current tax charge of £119 million and a deferred tax credit of £230 million. The total tax credit of £225 million includes the £29 million tax credit in BTL.

Loss after tax

Underlying loss after tax was £181 million, an increase compared to a £120 million loss of after tax in 2023/24. Total loss after tax was £437 million, an increase compared to a £95 million loss after tax in 2023/24.

Capital Investment

Capital investment of £2,225 million, increased by £141 million (7%) compared to 2023/24, this includes £0.1 billion assets which have been constructed under self-lay by third parties at nil cost. This was driven by work to improve resilience in our network, mitigate climate change and population growth.

The key projects and programmes delivered during the year include the following:

- £791 million invested through our in-house Capital Delivery vehicle, including: £92 million on water distribution mains replacement and rehabilitation in London and the Thames Valley; £70 million on the installation of new water trunk mains; £30 million on inspection and refurbishment of London's raw water transfer tunnels and Thames Water ring main and £8 million pressure on management activity
- £430 million improving asset resilience through refurbishment and replacement across our waste treatment sites and waste infrastructure asset base
- £229 million invested on our water network to reduce leakage and improve our trunk main network.
- £170 million on upgrading our major sewage treatment works at Beckton, Modgen, Greenwich, Crossness and other sites
- £168 million on the work on Thames Tideway Tunnel and connecting our network to the tunnel, including £21 million on the Beckton inlet works.
- £100 million invested to make progress on our Strategic Resourcing Options, with Abingdon Reservoir activities spending £68 million to ensure continued focus in securing stable and safe supply of water for generations
- £73 million on our metering programme

Pensions

As of 31 March 2025, the total net IAS19 accounting pension deficit for the Group's defined benefit schemes was £86 million.

The Group's two independently administered defined benefit schemes, the Thames Water Pension Scheme (TWPS) and the Thames Water Mirror Image Pension Scheme (TWMIPS), saw a combined deficit reduction of £33 million. This improvement was driven by actuarial gains and £22 million of company contributions. The Group continues to make actuarially agreed regular contributions for active employees and deficit repair contributions as agreed as part of the triennial valuation recovery plan aimed at reducing the deficit to zero by 2029.

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

Liquidity extension

In February 2025, the High Court sanctioned our initial, interim restructuring plan (RP1) which included £3.0 billion in new super senior funding to extend out liquidity runway. This consists of an initial £1.5 billion committed facility and a £1.5 billion uncommitted accordion facility.

Both the initial £1.5 billion facility and the accordion facility (which comprises two tranches of £750 million each) include conditions precedent which are currently unsatisfied. Whilst the conditions precedent remain unsatisfied, the £1.5 billion super senior issuer funding will continue to be drawn in tranches sized in line with TWUL's liquidity needs. This process will probably continue until the Appeal Period ends and a lock-up agreement is concluded, either later in 2025 or in 2026. It is not intended that the further £1.5 billion accordion, which is also expected to be subject to drawdown in tranches, is accessed until sufficient undrawn amounts under the initial £1.5 billion are no longer available.

Creditors have remained supportive and have on three occasions waived the conditions precedent, permitting drawings of £350 million in March 2025 and £365 million in April 2025. The Group is expected to draw a further £157 million at the end of July 2025, which will be made available to TWUL in two tranches falling in July and August 2025. As at 30 June 2025, the Group had available cash and cash equivalents of £424 million.

Financial Review (Continued)

Gearing and interest cover

The Whole Business Securitisation (WBS) covenant net debt increased to £17,725 million, with senior gearing at 84.4%. The Senior Post Maintenance Interest Cover Ratio (PMICR) was 1.09x, which was below the minimum Trigger Event covenant level of 1.1x, although the requirement to comply with financial covenants is currently suspended.

Credit ratings

TWUL and the Group's Class A and B debt are presently rated sub-investment grade by both Moody's and S&P. Returning to an investment grade credit rating following a holistic recapitalisation of its balance sheet is a crucial objective for TWUL, both to meet its licence conditions and to raise debt to finance its investment programme.

TWUL and the Group's debt has been subject to multiple credit ratings downgrades over the year. In April 2024, both Moody's and S&P downgraded the Company's credit ratings following the decision of the Kemble shareholders not to invest £500 million of new equity. The downgrades resulted in a cash lock-up under the Company's licence, which restricts payments, including dividends, to associated companies, without the prior approval of Ofwat.

In July 2024, both Moody's and S&P further downgraded the Company's credit ratings to sub-investment grade, based on worsening liquidity and the likely impact of Ofwat's Final Determination for AMP8. This caused a breach of credit ratings conditions under the Company's licence. Ofwat has accepted the undertakings by the Company to appoint both an independent monitor, L.E.K., and two new independent non-executive directors. These commitments will remain in place until the Group regains two investment-grade credit ratings. Following further downgrades, our credit ratings are currently as follows:

- Moody's: Corporate Family Rating (CFR) at Caa3 (stable outlook), Class A at Caa3 (stable outlook), and Class B at C (stable outlook)
- S&P: Class A at CCC (negative outlook) and Class B at CC (negative outlook)

Cost of Interest

The Group uses derivative financial instruments where appropriate to manage the risk of fluctuations in interest rates. As of 31 March 2025, interest rates for 40% of our gross debt were fixed, 48% were index-linked to RPI, and 12% were floating on a post-swap basis. Overall, the Group's effective cost of interest, including accretion on index-linked debt, was 5.0%; the effective cash cost of interest was 3.4%.

During the year, £132 million of accretion was paid on maturing index-linked swaps, and £143 million of accretion was paid on index-linked swaps which have not yet matured.

The average debt maturity at the end of the year was 13 years.

Financing our investment

We finance our investment in our water, wastewater and digital infrastructure through a combination of operating cash flows, debt issuance and new equity. Our funding strategy this year has focussed on extending TWUL's liquidity runway and seeking new equity. A restructuring plan (RP1) was sanctioned by the High Court in February 2025. RP1 extended the maturity of all of the Group's outstanding debt principal repayments by two years, cancelled all undrawn facilities including £550 million of liquidity facilities and approved a new committed £1.5 billion super senior debt facility and a further uncommitted £1.5 billion accordion facility.

Both the committed £1.5 billion facility and the accordion facility are subject to conditions precedent that currently remain unsatisfied because of the following:

1. On 13 June 2025, Mr Charles Maynard MP sought the permission of the Supreme Court to appeal the Court of Appeal's decision to sanction the restructuring plan (the Appeal Condition).
2. TWUL will not have entered into a supported lock-up agreement by 31 July 2025 in respect of a second restructuring plan (RP2).

Whilst the conditions precedent remain unsatisfied, the £1.5 billion super senior issuer funding will continue to be drawn in tranches sized in line with TWUL's liquidity needs. This process will probably continue until the Appeal Condition is satisfied and a lock-up agreement is concluded, either later in 2025 or in 2026. It is not intended that the further £1.5 billion accordion, which is also expected to be subject to drawdown in tranches, is accessed until sufficient undrawn amounts under the initial £1.5 billion are no longer available.

Creditors have remained supportive and have on three occasions waived conditions precedent, permitting drawings of £350 million in March 2025 and £365 million in April 2025. The Group is expected to draw a further £157 million at the end of July 2025, which will be made available to TWUL in two tranches falling in July and August 2025. As at 30 June 2025, the Group had available cash and cash equivalents of £424 million.

For the liquidity extension, the Group established a new financing subsidiary, Thames Water Super Senior Issuer plc (TWSSI), which is the borrower under the new facility.

The payment priorities under the financing documents were amended by RP1 to reflect the ranking of super senior debt ahead of Class A debt, the ranking of cross currency swaps was raised above Class A debt and the testing of financial covenants was suspended during the Stable Platform Period (which ends on 22 March 2027 or earlier if the maturity extensions are reversed). A break clause was inserted into each interest rate and index-linked swap contracts which permits a counterparty to terminate the swaps from 31 December 2028 onwards if TWUL does not have two investment grade credit ratings, amongst other requirements, and on 1 April 2030 if a recapitalisation transaction has not happened by that date in certain specified circumstances. Additional covenants were also introduced into the WBS documentation.

An equity raise process for TWUL commenced in summer 2024, resulting in five non-binding offers received on 5 December 2024. On 31 March 2025, TWUL announced that it had selected KKR to enter the second phase of its the diligence process as preferred partner. In parallel, certain senior creditors progressed work on an alternative proposal to recapitalise TWUL. Following this announcement, TWUL facilitated material and confirmatory diligence by KKR and the senior creditors who are progressing the creditor led proposal. Following completion of this diligence process, KKR indicated that it would not be in a position to proceed in the equity raise process and therefore that its preferred partner status lapsed. Discussions on the senior creditors' plan with Ofwat and other stakeholders remain ongoing.

Financial Review (Continued)

Dividends

The Group's overall objective is to pay a progressive dividend commensurate with the long-term returns and performance of the business, after considering the business's current and expected legal, regulatory and financial performance, regulatory restrictions (such as those set out in its instrument of appointment), management of economic risks and debt covenants.

In assessing the dividend to be paid, the Directors are required to seek to ensure that:

- Payment of a proposed dividend rewards efficiency and the effective management of risks;
- Payment of a proposed dividend should not impair the Group's current or short term liquidity or compliance with the Group's covenants;
- Payment of a proposed dividend should not impair the Group's longer-term ability to finance the Group's business including access to both debt and equity capital, and therefore must also take account of future investment needs and financial resilience;
- An assessment is made to determine if the payment of a dividend reflects the Group's performance against the relevant price review final determination and its commitments to customers and other stakeholders therein; and
- An assessment is made of the impact that payment of the dividend may have on the Group's commitments and obligations, and in turn also its overall performance levels including service delivery to customers, environmental commitments, community commitments and its commitments and obligations to employees and pension members.

No dividends were paid to shareholders in 2024/25. Dividends are not currently permitted to be paid due to the licence and WBS cash lock-ups resulting from credit rating downgrades below investment grade.

Regulatory Investigations

Two Ofwat investigations were concluded after the year end.

Dividends

TWUL declared and settled internal dividends of £195 million in 2023/24. Condition P30 of our Instrument of Appointment ('Licence') requires, amongst other things, that those dividends declared or paid take account of service delivery for customers and the environment over time, including performance levels and other obligations. On 28 May 2025, Ofwat announced that it had concluded its investigation. Ofwat found that TWUL was in contravention of Condition P30 and issued a penalty of £18.2 million. Ofwat concluded that it was not necessary to also issue an Enforcement Order. See page 111 for further details. This fine has been provided for within the 2024/25 results and is accounted for as an exceptional cost in the operating expenses.

We cooperated fully with Ofwat's enquiries and provided extensive evidence that the Board took account of its licence obligations, including the Company's performance and service delivery metrics, when deciding whether to declare and settle a dividend. We believe that Ofwat's investigation has introduced additional uncertainty around the role of those dividends needed to finance necessary infrastructure investments, particularly for companies in turnaround. We continue to make representations to Ofwat that it should address these uncertainties urgently.

Wastewater

In 2021, Ofwat and the Environment Agency began an investigation into wastewater, which initially focused on five water and sewage companies in England and Wales but subsequently expanded to include all water and sewerage companies. On 28 May 2025, Ofwat concluded its investigation into TWUL and issued the Company with a penalty notice for £104.5 million, having found TWUL in breach of:

- Regulations 4(4) and 4(2) and Schedule 2 of the Urban Wastewater Treatment Regulations 1994 ('UWWTR') – ensuring that wastewater treatment works and network collecting systems are constructed, operated and maintained so that spills only occur in exceptional or unforeseeable cases;
- Section 94 of the Water Industry Act 1991 ('WIA91') – providing effective drainage in local areas and effectively dealing with the contents of sewers; and
- Condition P of our Instrument of Appointment ('Licence') – ensuring that the Company is run effectively, and in compliance with its statutory duties.

Although we disagreed with Ofwat's findings of breach, we had sought to agree upon comprehensive and binding undertakings with Ofwat in lieu of a penalty, but this was ultimately not possible. On 19 June 2025, the government announced that the penalties arising from this investigation would be ring-fenced for local environmental projects. Ofwat's decision also requires the Company to put in place a number of remediation actions (similar to those required of other companies that it has found to be in breach), along with an obligation to report on progress to Ofwat and to publish progress on our website.

The Environment Agency continues its parallel investigation into water and sewerage companies in respect of compliance with environmental permits, as part of its nationwide Operation Standard investigation.

Given ongoing financial restructuring, we are engaging with Ofwat regarding an appropriate timeframe for payment of both penalties.

Capital, financial and actuarial risk management policies and objectives

The Group's operations expose it to a variety of capital, financial and actuarial risks.

Capital risk management

Capital risk primarily relates to whether the Group is adequately capitalised and financially solvent. Further details of this is discussed in the Going concern section of the Directors' Report and in the Accounting Policies, but without actions being taken during the year, there are material uncertainties which give rise to significant doubt about the company's ability to continue as a going concern. Details of the Group's borrowings and other financial instruments are disclosed in note 17 and 18, respectively.

The capital structure of the Group consists of net debt and equity as disclosed in note 18.

Financial Review (Continued)

Capital, financial and actuarial risk management policies and objectives (continued)

Financial risk management

(i) Market risk

Market risk is the risk that changes in market variables, such as inflation, foreign currency rates and interest rates, will affect the Group's income or the value of its financial instruments. Financial instruments entered into by the Group include RPI linked bonds, loans and swaps. These instruments are exposed to movements in the UK RPI index. The principal operating company of the Group, TWUL, is a regulated water company with RPI linked revenues. Therefore the Group's index-linked borrowings form a partial economic hedge as the assets and liabilities partially offset. The Group also uses derivatives to manage inflation risk on non-index-linked borrowings.

The Group's foreign currency risk exposure results from debt raised in currencies other than Sterling. The Group uses cross currency swaps to hedge the foreign currency exposure of debt issued in a foreign currency. All economic hedges are undertaken for commercial reasons with the objective of minimising the impact of exchange rate fluctuations. Due to the extension of debt maturities on 25 February 2025 without a corresponding extension to swaps, there was an unhedged USD position in relation to the USPP originally due to mature in March 2025.. Further disclosures regarding financial instruments can be found in note 18.

Interest rate risk arises on interest-bearing financial instruments. Fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. Floating rate borrowings are exposed to a risk of change in interest cash flows due to changes in interest rates. The Group uses interest rate swaps which economically hedge future cash flows to protect against interest rate movements.

(ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables, short-term investments and cash flows receivable from counterparties to the derivative financial instruments.

TWUL has a statutory obligation to provide water and wastewater services to customers within its region. Due to the large area served by TWUL and the significant number of household and business customers within this area, there is considered to be no concentration of trade receivables credit risk, however, the Group's credit control policies and procedures are in place to minimise the risk of bad debt arising from its trade receivables. Amounts provided against trade receivables and movements in the provision in the year are disclosed in note 14.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. We finance our investment in our water, wastewater and digital infrastructure through a combination of operating cash flows, debt issuance and new equity. Our funding strategy this year has focussed on extending our liquidity runway and seeking new equity. Further details of this is discussed in the Going concern section of the Directors' Report and in the Accounting Policies, but without actions being taken during the year, there are material uncertainties which give rise to significant doubt about the company's ability to continue as a going concern. Details of the Group's borrowings and other financial instruments are disclosed in note 17 and 18, respectively.

Actuarial risks

The defined benefit pension schemes are exposed to actuarial risks including investment risk, inflation risk and longevity risk. For further details of these risks, please refer to note 22.

The trustees continue to control the level of investment risk within the schemes by reducing the schemes' exposures to higher risk assets and increasing the level of protection against adverse movements in interest rates and inflation. The trustees also review the risk exposures taking into consideration the longer term objectives of the respective schemes.

s172 reporting

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

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

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

On appointment, Directors receive an induction programme tailored to their specific requirements and designed to facilitate their understanding of the business, sector, the Company's operations and its culture.

Day-to-day running of the Company is managed by the Company's management team, consisting of employees from the Group's main trading company, Thames Water Utilities Limited (TWUL). During the reporting period, the Board of TWUHL has received updates and where it was required provided their approvals: Company's annual report and financial statements, Secretary and Directors' appointments, liquidity, restructuring, going concern, treasury Power of Attorney and treasury procedures and PR24. Throughout the year, when required, the Board has been supported by various external advisers on these areas of focus.

During the year, the Board of Directors approved the restructuring plan and the consequent changes to financing arrangements, including the £1.5 billion super senior debt facility. The Company had no employees during the year, or as at the date of this report, nor did it have any external customers or trading arrangements with suppliers.

Financial Review (Continued)

Stakeholder management

The Company's stakeholders are considered to be companies within the TWUL Group and its shareholders. Within its subsidiaries these also include debt investors, customers, employees, suppliers and other stakeholders. Stakeholder engagement occurs regularly throughout the year, both formally and informally. The TWUL Group's Director of Corporate Finance is responsible for facilitating communication with investors and analysts and maintains an active investor relations programme. Wider stakeholder engagement occurs regularly throughout the year, both formally and informally.

Community and environment

The Board supports the Group-wide commitment to seeking to continually improve the delivery of water and wastewater services in the most sustainable way, which means complying with regulation, delivering public value and leaving the environment in a better state than we found it at the end of each regulatory period.

The Board of Directors of the Company consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006. The Board of Directors manage the Group and further details of how they have carried out their duties is disclosed within these financial statements.

Approved by the Board of Directors on 22 July 2025 and signed on its behalf by

Sir Adrian Montague
Director

Clearwater Court
Vastern Road
Reading
Berkshire
RG1 8DB

Directors' report

Introduction

The Directors present their Annual Report and the audited financial statements of Thames Water Utilities Holdings Limited (the Company) and the audited consolidated financial statements of its group (the Group) for the year ended 31 March 2025.

The Company is incorporated and domiciled in the United Kingdom and is a wholly owned subsidiary of Thames Water Limited. Its ultimate parent is Kemble Water Holdings Limited, a company registered in the United Kingdom and owned by institutional investors.

The financial statements are the Company's statutory accounts as required to be delivered to the Registrar of Companies. This Directors' report includes disclosures required under the Companies Act 2006 and related regulations.

The nature of the Group's operations and its principal activities are set out in our Strategic Report. The Strategic Report also includes additional details on some of the disclosures set out herein. More generally, the Strategic Report includes: our business model; key performance indicators and performance against them; our people strategy and workforce engagement programme; our approach to climate change, the environment, local communities and other sustainability issues; how we engage with stakeholders; an analysis of our principal risks and uncertainties and our approach to managing risk and a statement setting out how the Directors have complied with the requirements of Section 172 of the Companies Act 2006. The Directors have carried out a robust assessment of the principal risks and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. Details of these risks and their management or mitigation can be found on page 5.

The Directors consider that the annual report and audited financial statements, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess both the Group's and Company's position and performance, business model and strategy.

The registered number of the Company is 06195202 (England and Wales).

Future outlook

The future outlook of the Company is not expected to change from the current principal activity of being an intermediate parent company. The future outlook of the Group is not expected to change from the current principal activity of being the appointed supply of water and wastewater services to customers in London, the Thames Valley and surrounding area, delivered entirely through its wholly owned direct subsidiary, Thames Water Utilities Limited (TWUL or Thames Water), in accordance with TWUL's Licence of Appointment.

Directors

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

Jason Cogley	(resigned 20 May 2024)
Stephen Deeley	(resigned 20 May 2024)
Jenny Dela Cruz	(resigned 20 May 2024)
Ying Deng	(resigned 20 May 2024)
Jerry Divoky	(resigned 20 May 2024)
Alastair Hall	(resigned 20 May 2024)
Christopher Weston	(appointed 18 June 2024)
Nicholas Land	(appointed 18 June 2024)
Ian Pearson	(appointed 18 June 2024)
Thomas Bolton	(resigned 18 June 2024)
Susannah Lowndes	(resigned 18 June 2024)
Gavin Merchant	(resigned 18 June 2024)
Perry Noble	(resigned 18 June 2024)
Henrik Onarheim	(resigned 18 June 2024)
Chenye Wang	(resigned 18 June 2024)
David Xie	(resigned 18 June 2024)
Aidan De Brunner	(appointed 14 November 2024)
Neil Robson	(appointed 14 November 2024)
Paul O'Donnell	(appointed 8 July 2024 and resigned 19 November 2024)
Nicholas Pike	(appointed 8 July 2024 and resigned 19 November 2024)
Julian Gething	(appointed 22 January 2025)
Sir Adrian Montague	

During the year under review, none of the Directors had significant contracts with the Company or any other body corporate other than their contracts of service (2024: none), except as noted below. Directors are allowed to appoint an alternative Director to represent them if they are unable to attend a meeting, however none of the directors have done so.

Julian Gething was appointed on 2 December 2024 in a newly created role 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 and TWUHL Board member on 22 January 2025, when he was also appointed as a Director of the Company. He is not employed by any company in the Group and accordingly is not paid any remuneration by TWUL for qualifying services. All fees associated with his role as Chief Restructuring Officer are paid to AlixPartners by TWUL.

Directors' indemnities

Subject to the conditions set out in Section 234 of the Companies Act 2006, the Company has made qualifying third-party indemnity provisions for the benefit of its Directors and for the benefit of other persons who are Directors of associated companies, which remain in force at the date of this Report. The Company maintains a comprehensive insurance programme, renewed annually, which includes Directors' and Officers' Liability cover.

Share capital

Refer to the financing our investment section on page 23 for information on transactions impacting share capital in the Group during the year.

Operations outside the United Kingdom

There are no active operations conducted outside the United Kingdom.

Directors' Report (Continued)

Going concern

The Thames Water Utilities Holdings Limited (TWUHL or the Company) Directors have assessed TWUHL's ability to continue as a going concern, recognising that it is a holding company which does not trade and has no external debt and payments on intercompany debt owed to TWUL and Thames Water Limited can be deferred. However, the Company guarantees obligations of its subsidiaries TWUL and Thames Water Utilities Finance plc (TWUF) under the terms of the Whole Business Securitisation (WBS).

Given the dependency on TWUL and the obligations the Company has under the WBS, the TWUHL Directors have considered as part of the Company's going concern assessment, the current financial position of its sole direct subsidiary TWUL (the only trading entity within the group headed by the Company). In making this assessment the Directors of the Company have made extensive enquiries of the TWUL Directors, which includes understanding their current intentions and expectations (and on what basis these have been formed) as well as considering the actions taken by TWUL post the balance sheet date of 31 March 2025. The section below summarises these considerations.

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

There exist material uncertainties which may cast significant doubt on the Group and Company's ability to continue as a going concern in relation to the preparation of the financial statements given, the Company is reliant on support from its direct subsidiary TWUL to provide the liquidity required to meet the Company's cash outflows as they fall due and there is a material uncertainty as to whether TWUL will be in a position to provide that support as and when required for the duration of the going concern assessment period.

Further there is a material uncertainty as to whether the Group will be able to deliver a recapitalisation transaction by way of RP2 successfully, either within the Assessment Period or at all. If it fails to do so, the Group and Company 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 elements which will be key to the success of a recapitalisation transaction pursuant to RP2 are each subject to uncertainties which are outside of the Group and Company's control and which could occur in the very near term. Taken together these may cast significant doubt on the Group and the Company's ability to continue as a going concern in relation to the preparation of the financial statements.

Further details of this assessment and the post balance sheet events are contained within the TWUL 2024/25 Annual Report, copies of which may be obtained from the Company Secretary's Office at Thames Water Group, Clearwater Court, Vastern Road, Reading, Berkshire, RG1 8DB.

Corporate governance

The Thames Water Utilities Holdings Limited Board is responsible for the long-term success of the Group by providing leadership and strategic direction. It balances the interests of our shareholders with those of our wide range of other stakeholders including customers, employees, and suppliers and the impact on local communities and the environment. The TWUHL Board is made up of Executive and Non-Executive Directors (NEDs). They provide strong experience in financial asset management, and value creation, constructively challenge and monitor the performance, and the delivery of the Group's strategy, as well as that of the TWUL Executive Board. Members of TWUHL's Board are also members of TWUL's Board. The TWUHL Board is not deemed to require a committee for Audit Reporting and Risk, Director Remuneration, Nomination, Regulatory Strategy, Customer Service, or the Health, Safety and Environment and Sustainability, as all such these matters are closely monitored by the committees reporting into the TWUL Board.

Our system of risk management and internal control aims to ensure that every effort is made to manage risk appropriately, rather than eliminate risk completely, and can only provide reasonable, rather than complete, assurance against material impact. Our management of risk supports this through a number of key company level internal controls and responses:

- Business planning, budgeting and forecasting. These activities support resilient operations and sustainable and robust finances. The annual budgeting exercise includes a detailed budget for the year and a view for the remainder of the asset management plan (AMP).
- Performance reporting – the Board and shareholders receive monthly management reports, including an overview of key performance metrics.
- System of delegated authority – delegated levels of decision-making authority are reviewed and approved by the Board;
- Insurance – insurance programme and insurance team in place. The Board review and approve the strategic approach being taken to level and type of cover;
- Company policies, standards, guidelines and procedures – relevant governance documentation is reviewed regularly and is intended to manage our inherent risk;
- Code of conduct and Whistleblower hotline – code of conduct and confidential whistleblowing processes are in place to be investigated by a dedicated team.

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

Financial risk management

During the year management had access to the Chief Executive Officer, Chief Restructuring Officer and the Executive Team of TWUL, who also manage the Group on a day-to-day basis on behalf of the Directors of individual group companies. The TWUL Board receives regular reports from all areas of the business. This enables prompt identification of financial and other risks so that appropriate actions can be taken in the relevant group companies.

The Group's operations expose it to a variety of financial risks and information on the use of financial instruments by the Group to manage these risks is disclosed in the Strategic Report.

Political donations

The Group has an agreed policy to not make any political donations. No political donations were made during the year (2024/25: £nil).

Directors' Report (Continued)

Charitable donations

Charitable donations of £1.4 million were made by the Group during the year (2023/24: £3.5 million).

Intellectual property

The Group protects intellectual property of material concern to the business as appropriate, including the filing of patents where necessary.

Research and development

The research and development programme is made up of several projects looking to address business risk through interventions across the asset lifecycle for water and wastewater (including bioresources) assets in both infrastructure and non-infrastructure contexts. This technical support to the business enables the adoption of new technologies, techniques and systems in Thames Water, and continues to be an important and influential function within the business. We continue to actively investigate developments in areas such as leakage, pollutions, water quality, supply interruptions, operational efficiency and asset management, such that we're well placed to implement solutions at scale to help meet our regulatory requirements.

Aside these internal research endeavours, we proactively participate (as both a leading company, and in a supporting role) in the Ofwat Innovation Fund, which has three distinct aims - accelerate and roll out innovative products, services and concepts; grow the water sector's capacity to innovate; and embed a culture that values, encourages and supports innovation. Complimentary to these areas, we continue to be an active member of UK Water Industry Research (UKWIR), drawing on the research programme to inform our investment decisions. The UKWIR research programme spans water and wastewater topics across 11 areas of: abstractions, leakage, supply interruptions, water quality, sustainability, pollutions, customer poverty, asset management, regulatory incentivisation, carbon reduction and circular economy. Expenditure on research and development totalled £16.3 million for the year 2024/25 (2023/24: £13.0 million), which includes Thames Water's Contribution into the Ofwat Innovation Fund.

Engaging our colleagues

Keeping our colleagues engaged and informed has been a major focus over the last year. With so much going on in the business and in the media, we have switched our approach to make sure our colleagues are aware of major announcements either before or at the same time as they are announced.

Feedback through both our formal and informal channels shows that our CEO's more open, honest and transparent approach has been popular.

The CEO and his Executive team held a number of open 'Ask the Exec' sessions during the year. A total of 3,000 people watched each session either live or 'on demand'. These quarterly sessions give our people the opportunity to ask our Executive team any questions on their mind. As the numbers suggest, these are popular, and so we do not ever get through all the questions on the live session and therefore answer the majority of the questions later through our Intranet.

On top of our 'Ask the Exec' sessions, the Executive team runs regular 'All Hands' meetings, giving them the opportunity to talk to their functional teams about what's important to them, hear their feedback and questions, and recognise people when they go above and beyond while living our values.

With the CEO holding functional Monthly Business Reviews at a different site each month, he also takes the opportunity to meet with the team on site and answer their questions. Once again, these are proving very popular with our colleagues. We have also increased our senior leadership's health and safety visibility, with each member of our senior leadership community tasked with visiting at least two sites throughout the year to discuss health and safety with their teams.

This year, our top 50 senior leaders held listening sessions with their teams that resulted in a number of changes being introduced.

Finally, we have been telling stories about where things are going well, celebrating our unsung heroes and busting some of the myths we see in the media through our internal channels.

Looking ahead, we are reintroducing our all TWUL recognition awards to recognise and celebrate those people across the business who live our values each and every day.

Recruitment, employment and training of disabled people

We have now secured Level 2 Disability Confident Employer status. We have widened our reach through community partners to ensure that we are attracting people with disabilities into the business. As part of our commitment to inclusivity, we have changed our disability declaration question, resulting in an 8% increase in applications from people declaring a disability. We are mindful that the next step in this journey is to ensure that these applicants progress to interviews and offers.

We are committed to raising awareness, educating, improving accessibility and creating a culture of inclusion. We continue to support and deliver against our ambitions related to the Autism Covenant. In doing so, we have introduced a new Supported Internship Programme, which supports young people with learning differences to gain meaningful workplace experiences through term-time placements. This initiative helps them acquire new skills and secure employment post-placement. We are currently hosting three supported internships, with plans to expand this over the coming year. We continue to work across our business to engage hiring managers on inclusive recruitment practices, and our resourcing team is constantly looking at continuous improvement.

Recruitment, employment and training of disabled people (Continued)

Additionally, we launched a pilot for a Guaranteed Interview Scheme, focusing on Disability and Care Leavers. It helps us remove barriers and access a wider pool of talent. All shortlisted candidates go through the same first-stage interview process. This initiative is designed to unlock the full potential of our talent pool and create a diverse and inclusive workforce that reflects the communities we serve. By supporting an inclusive hiring process through initiatives such as the Guaranteed Interview Scheme, we ensure we have the right people with the right skills to navigate an evolving talent market and build a more resilient, innovative workforce for the future.

Directors' Report (Continued)

Operational Greenhouse Gas Emissions and Energy Management

Thames Water calculates its Greenhouse Gas (GHG) emissions using the UK Water Industry Research Carbon Accounting Workbook (CAW). The CAW provides estimates of the GHGs identified in the Kyoto Protocol, which are produced as a result of the operational activities of water and wastewater companies. Estimates are made following guidance published by DESNZ, as well as international guidance where required. Emissions from the greenhouse gases are standardised to global warming potential represented as carbon dioxide equivalents (CO₂e). 2024/25 reporting uses Carbon Accounting Workbook (CAW) v19 (AR5). This uses Global Warming Potential values for a 100-year time horizon from the IPCC Fifth Assessment Report AR5 throughout.

Under the GHG Protocol, there are two distinct methods to account for Scope 2 emissions. Scope 2 emissions are indirect GHG emissions associated with the purchase of electricity, steam, heat or cooling.

1. Location-based. This method reflects the average emissions intensity of the grid on which energy consumption occurs (using grid-average emission factor data).
2. Market-based. This method reflects emissions from electricity that companies have purposefully chosen, and it derives emission factors from contractual instruments.

As Thames Water sources renewable electricity accredited with renewable 'Guarantees of Origin' through a contract with our supplier, a market-based accounting approach is applied when reporting Scope 2 emissions. The market-based approach has been used to determine Thames Water's operational plans and strategies for carbon management and performance reporting on our journey to meet net zero.

For transparency, we have also disclosed the location-based data within this Report for comparison.

Our carbon target

We aim to meet our share of the Government's sixth carbon budget by limiting the volume of operational and capital greenhouse gases by 78% by 2035 compared to 1990 levels and to achieve net zero by 2050. By reducing emissions, we will provide a better environmental outcome for customers and reduce our contribution to the causes of climate change.

For AMP8, concerns regarding companies' deliverability, financeability and customer affordability have been highlighted, resulting in the Environment Agency writing to companies on behalf of the Secretary of State for the Environment, providing a steer that companies were expected in the development of their business plans to explore opportunities to phase non-statutory commitments, including net zero, to future price review periods where appropriate.

Whilst these challenges do not change our desire to achieve net zero, we are still working to fully understand the implications and opportunities they present and how these will impact on our net zero plans. These challenges have been reflected in the development of our PR24 business plan which has been submitted to Ofwat.

Some of our aims include maximising the energy and resource recovery from our sewage sludge, the electrification of our fleet of vehicles and the increased efficiency of our assets. We will publish an updated overview of our net zero plans as soon as we have completed our review.

Key trends

Greenhouse gas emissions reported are associated with the operational emissions of the whole regulated operational business including our head offices and include:

- Scope 1 (direct emissions);
- Scope 2 (indirect energy use emissions);
- Scope 3 (emissions from purchased goods and services, business travel, and energy and fuel well-to-tank); and
- Carbon intensity ratios per megalitre of water and sewage treated (per MI).

Using the location-based approach, our net operational emissions decreased by 1.1 ktCO₂e from 582.2 ktCO₂e to 581.1 ktCO₂e in 2024-25.

Our gross operational emissions also decreased by 1.6 ktCO₂e from 585.4 ktCO₂e in 2023/24 to 583.8 ktCO₂e in 2024/25.

Using the market-based approach, our net operational emissions decreased from 350.4 ktCO₂e in 2023-24 by 3 ktCO₂e to 347.4 ktCO₂e in 2024/25. Our gross operational emissions also decreased from 355.9 ktCO₂e in 2023/24 by 3.5 ktCO₂e to 352.4 ktCO₂e in 2024/25.

In 2024/25, the emissions associated with each megalitre (MI) of water and wastewater we supply and treat – our emissions intensity ratio is:

1. **Market-based**
Water: 67.1 kgCO₂e per MI
Wastewater: 171.2 kgCO₂e per MI
2. **Location-based**
Water: 224.3 kgCO₂e per MI
Wastewater: 234.7 kgCO₂e per MI

Scope 1 emissions increased by 2% or 5.3 ktCO₂e:

- Our direct emissions from burning fossil fuels increased by 1.5 ktCO₂e to 17 ktCO₂e.
- We have further reduced our fossil fuel use by using biogas instead of natural gas in boilers, resulting in a 1.4 ktCO₂e reduction; offsetting some of the 1.5 ktCO₂e increase in emissions from diesel use driven by managing operational issues
- Process and fugitive emissions increased by 4.8 ktCO₂e to 195.8 ktCO₂e
- We have reduced our emissions associated with our Vehicle transport (Fleet) decreased by 1.1 ktCO₂e to 16.9 ktCO₂e

Scope 2 emissions increased by 2% or 3.6 ktCO₂e, which included an additional increase of 2ktCO₂e, where we sold the benefit from renewable solar electricity to third parties.

- We have prioritised biogas in the boilers for renewable heat production and for biomethane production rather than electricity self-generation where available. However, due to operational issues on our sites, this has resulted in an increase of use of grid electricity by 8 GWh.

Directors' Report (Continued)

Key trends (continued)

Scope 3 emissions associated with purchased goods and services decreased by 10.4 ktCO₂e or 6%:

- Emissions from chemicals reduced by 4.5 ktCO₂e, from 40.5 ktCO₂e to 36.1 ktCO₂e.
- Outsourced operators decreased by 3.8 ktCO₂e following redefining accounting boundaries.
- Business travel decreased by 0.3 ktCO₂e, due to a conscious change in employee behaviour

	Market-based		Location -based	
	2025 ktCO ₂ e	2024 ktCO ₂ e	2025 ktCO ₂ e	2024 ktCO ₂ e
Scope 1	229.9	224.6	229.9	224.6
Direct emissions from burning of fossil fuels	17.1	15.6	17.1	15.6
Process and fugitive emissions	195.8	191.0	195.8	191.0
Transport: TWUL owned or leased vehicles	16.9	18.0	16.9	18.0
Scope 2	1.9	0.006	191.1	187.6
Purchased electricity	1.9	0.0	191.1	187.6
Electric vehicles	0.002	0.006	0.002	0.006
Scope 3	120.6	131.3	162.8	173.1
Business travel for TWUL business	1.0	1.3	1.0	1.3
Outsourced activities	23.5	27.3	23.5	27.3
Purchased electricity – WTT and T&D	20.6	20.0	62.7	61.9
Purchased activities – WTT and T&D	7.5	7.4	7.5	7.4
Chemicals	36.1	40.5	36.1	40.5
Disposal of waste	32.0	34.8	32.0	34.8
Gross	352.4	355.9	583.8	585.4
Net-offs	(5.0)	(5.5)	(2.7)	(6.5)
Net	347.4	350.4	581.1	578.9

Capital Carbon

In addition to operational carbon emissions described above, this is the third year we have reported Scope 3 emissions associated with capital projects, i.e., Capital Carbon emissions. These are Scope 3 indirect emissions associated with the construction, capital maintenance and end-of-life treatment of assets.

This year, we have been able to establish our Carbon Management Asset Standard within different delivery offices and operational business areas. This has led to an improved internal engagement around how we can lead the reduction of emissions associated with our capital projects, as well as the engagement and collaboration with our supply chain.

We have fostered our external engagement with other water and wastewater companies, with an increase in knowledge sharing and best-practice techniques through the Water UK Carbon Network, the Capital Carbon Forum we co-chair, and other external forums.

We are taking steps to develop our Carbon Assessment Tool to facilitate the use and therefore its uptake, and ability to update emission factors used in the future enabling more accurate estimating of our emissions.

We estimate that our capital projects are associated with 345.0 ktCO₂e of emissions in 2024-25, calculated on a cradle-to-build basis. This is split into 207.7 ktCO₂e associated with projects delivered in the wastewater business area, and 137.3 ktCO₂e for projects in the water business area.

This shows an increase in emissions from 2023/24, which is predominantly a result of an increase in capital works delivered. The carbon intensity of our main delivery office is similar to that of the previous years. However, the scope of work was less carbon-intensive for the majority of the other delivery offices, leading to an overall reduction of the carbon intensity.

Energy

Supported by our ISO 50001-certified Energy Management System, we have delivered energy efficiency improvements across both Water and Wastewater business units.

In the year:

- Our total energy consumption increased by 9 GWh, from 1,620 GWh to 1,629 GWh.
- Our total electricity consumption increased by 14 GWh from 1,260 GWh to 1,274 GWh.
- We generated 262 GWh of renewable electricity at our operational sites (including renewable export).
- We used 249 GWh ourselves, covering 19.5% of our electricity needs from self-generated renewable electricity.
- Together with our other renewables – biomethane, wind and solar photovoltaics (PV), we have produced 524 GWh renewable energy.
- We used 475 GWh of this, covering 25.7 % of our energy needs, including heat energy

We have made the operational decision to prioritise biogas use in boilers instead of combined heat power generators, to a) reduce the cost and use of fossil fuels and b) to recover more heat from boilers in the case of thermal hydrolysis processes, and prioritise biogas for biomethane production.

Directors' Report (Continued)

Energy (continued)

As a result, the net electricity intensity for each megalitre of water and wastewater we supply and treat has increased/decreased by:

- Water: 523 kWh/MI down 0.7 %
- Wastewater: 270 kWh/MI up 10 %

Funding

Refer to "Financing our investment" section on page 23 for information on funding during the year.

Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Approved by the Board of Directors on 22 July 2025 and signed on its behalf by:

Sir Adrian Montague
Director

Clearwater Court
Vastern Road
Reading
Berkshire
RG1 8DB

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards, and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

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

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

Directors' confirmations

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

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

Sir Adrian Montague
Director
22 July 2025

Clearwater Court
Vastern Road
Reading
Berkshire
RG1

Independent auditors' report to the members of Thames Water Utilities Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Thames Water Utilities Holdings Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2025 and of the group's and company's loss and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements ("Annual Report"), which comprise: the Consolidated and Company statements of financial position as at 31 March 2025; the Consolidated and Company income statements, the Consolidated statement of comprehensive income, the Consolidated statements of cash flows, and the Consolidated and Company statements of changes in equity for the year then ended; the Material accounting policy information; and the notes to the financial statements.

Basis for opinion

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

Independence

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

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the Material accounting policy information to the financial statements concerning the Group's and the Company's ability to continue as a going concern. The Company is reliant on support from its direct subsidiary TWUL to provide the liquidity required to meet the Company's cash outflows as they fall due and there is a material uncertainty as to whether TWUL will be in a position to provide that support as and when required for the duration of the going concern assessment period, defined as 12 months from the date of approval of these financial statements. Further, there is a material uncertainty as to whether the Group will be able to deliver a recapitalisation transaction by way of a restructuring plan under Part 26A of the Companies Act 2006 ("RP2") successfully, either within the Assessment Period or at all. If it fails to do so, the Group and Company would need to consider all options available to it at the time, but a possible consequence would be a special administration of Thames Water Utilities Limited ("TWUL") (the Group's principal trading entity) under the Water Industry Act 1991. The elements which will be key to the success of a recapitalisation transaction pursuant to RP2 are each subject to uncertainties which are outside of the Group and Company's control and which could occur in the very near term. These conditions, along with the other matters explained in the Material accounting policy information to the financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and the company were unable to continue as a going concern.

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

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

Our audit approach

Context

As explained throughout the Strategic report, this has been a very challenging year for the group. The environment that the business is operating in has required a dynamic audit risk assessment, particularly in relation to the ongoing business restructuring. Our audit has taken place during a period where the group and company has had to navigate significant challenges, such as heightened financial uncertainty and unprecedented regulatory scrutiny. Those significant challenges, including in relation to the future capital structure of the wider business, have informed our approach to audit risks, the demonstration of professional scepticism and the challenge we have provided throughout the audit process.

Overview

Audit scope

- Our scoping is based on the group's consolidation structure. We define a component as a single reporting unit which feeds into the consolidation. The group consists of four legal entities, Thames Water Utilities Holdings Limited (TWUHL), Thames Water Utilities Limited (TWUL), Thames Water Utilities Finance plc (TWUF) and Thames Water Super Senior Issuer Plc (TWSSI). TWUL and TWUF were considered significant components and subject to full scope audits, TWUHL was assessed as a non-significant component and TWSSI was assessed as inconsequential.

Key audit matters

- Material uncertainty related to going concern (group and company)
- Valuation of provision for expected credit losses for trade receivables (household customers) (group)
- Valuation of financial derivatives - credit risk adjustment (group)
- Classification of costs between operating and capital expenditure (group)
- Valuation of defined benefit obligation (group)
- Valuation and completeness of provisions for environmental and other regulatory matters (group)
- Accounting for debt modification (group)

Materiality

- Overall group materiality: £35,000,000 based on 0.15% of Total Assets.
- Overall company materiality: £50,281,000 based on 1.00% of Total Liabilities.
- Performance materiality: £26,250,000 (group) and £37,710,750 (company).

The scope of our audit

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

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
<i>Valuation of provision for expected credit losses for trade receivables (household customers) (group)</i> The provision for expected credit losses on trade receivables amounted to £177.1m (2024: £154.7m). The assessment of the recoverability of customer debts involves calculations with significant judgement and estimation. Management primarily uses historical performance to determine the future collectability of trade receivables and estimate the provision for expected credit loss. The level of uncollectable debt is determined based on performance in the year with the assumption that performance will repeat in future years. The modelling takes the closing household debtors balance and then deducts the amount that will be collected or cancelled based on historical performance. The amount that remains is considered uncollectable, which forms the expected credit loss provision. In the current year, an additional overlay to the provision was made to reflect the expected future impact of price rises in water bills. This increase, compounded by various external economic factors, is anticipated to impose a strain on customers' ability to fulfil their existing outstanding debts. Refer to the significant accounting judgements and key sources of estimation uncertainty section within the Material accounting policy information and note 14 of the financial statements.	We obtained an understanding of the trade receivables provisioning process and evaluated the design and implementation of related financial controls. We evaluated the model used to calculate the core provision and evaluated its consistency with prior years, specifically that the primary inputs relate to the previous year's cash collection by ageing category applied to the ageing category as at 31 March 2025. We consider the construct of the model to be appropriate and in line with the requirements of IFRS 9. We performed a lookback test on management's prior year provision by reviewing the level of write-offs which occurred during the year, in order to assess management's forecasting accuracy. We re-performed the calculations used in the model, to ensure the accuracy of these calculations. We tested the significant underlying data and inputs upon which the calculations were based, including testing a sample of receivables to validate the ageing classifications used in the model. We evaluated the appropriateness of the assumptions used and judgements applied in calculating the provision, using the latest available cash collection, cancellation and rebill data for the current year. We evaluated management's considerations in respect of the methodology used for the calculation of the overlay adjustment. We challenged management's assumptions with regards to the impact driven from future price increase along with the macroeconomic factors, on the future cash flows and recoverability of trade receivables based on our understanding of business and industry knowledge. In addition, we performed sensitivity analysis on the scenario considered by management, which included a greater impact on future cash collection driven by the impact of having more customers in financial difficulties due to price increases and macroeconomic factors. The result of the sensitivity analysis showed that the scenario considered by management is reasonable and did not have a material impact on the outcome of management's assessment. We also evaluated the adequacy of disclosures in the financial statements.
<i>Valuation of financial derivatives - credit risk adjustment (group)</i> The group derivative position as at 31 March 2025 was an asset of £300.1m (2024: £388.3m) and a liability of £1,718.1m (2024: £1,735.9m). The net derivative fair value as at 31 March 2025 was a liability of £1,418.2m (2024: £1,347.6m). The derivatives credit risk adjustment valuation, specifically the estimation of the company's own credit risk, is designated as a key audit matter as it gives rise to a significant source of estimation uncertainty and contains judgements concerning the group's credit risk and methodology as there are no prescriptive requirements in IFRS 13 as to how to calculate the credit risk adjustments. Refer to the significant accounting judgements and key sources of estimation uncertainty within the Material accounting policy information.	We obtained an understanding of the derivatives valuation process and evaluated the design and implementation of related financial controls. Our procedures included: Obtaining independent confirmations from the external counterparties and contracts to confirm the existence and terms of all derivative contracts held. Where confirmations were not obtained, alternative audit procedures were performed to confirm existence and terms. Understanding the impact of the restructuring plan on derivatives and the impact of the resulting modifications to derivative agreements on the derivative valuations. Determining whether the risk-free valuations are within tolerable thresholds using standard PwC defined methodologies and independently sourced data inputs our valuation experts establish to be appropriate for the

	instruments being valued. Note that the risk-free tolerable thresholds are only applicable to valuation estimates before the application of valuation adjustments such as CVA/DVA because CVA/DVA related adjustments are specific to the entity and counterparty (rather than market wide). Determining whether the valuation method/ model used by management for their credit risk adjustments would give rise to reliable estimates by using an equivalent independent model that our valuation experts routinely uses to test equivalent calculations for other organisations. This method would use the same data points as the preparer to ensure that the preparer method correctly estimates a reliable estimate. Engaging our valuation experts to perform illustrations of the effects of using alternative inputs and approaches to illustrate the impact of alternative approaches that a market participant might make. Assessing the reasonableness of the credit curves used in the valuations and performing procedures to assess the validity of assumptions and calculations management made in performing the credit risk component of fair value. Assessing the reasonableness of classifying the derivatives as level 3 instruments in the fair value hierarchy and challenging management to improve their disclosures on the estimation uncertainty in their point estimate and describing the nature and extent of the uncertainty. We also evaluated the adequacy of disclosures in the financial statements.
<i>Classification of costs between operating and capital expenditure (group)</i> Additions to Assets under construction (AUC) and Assets In Development (AID) during the year amounted to £2,148.0m (2024: £1,998.9m) which includes £291.6m (2024: £302.9m) of own works capitalised and £187.1m (2024: £159.4m) of borrowing costs capitalised, with the remainder being external costs. There is a high degree of judgement applied when allocating costs between operating and capital expenditure, especially as certain projects include both repairs and maintenance as well as asset enhancement. There is therefore the potential for misstatement between the income statement and the statement of financial position. In addition, internal expenditure, including staff costs to support capital projects, is capitalised only if it can be demonstrated that it is directly attributable to the asset, provides probable economic benefit to the company and can be measured reliably. There is a risk that costs capitalised do not meet these criteria. Furthermore, amounts capitalised are estimated. There is also judgement applied in determining the amount of borrowing costs to be capitalised, which is only capitalised at a project level only when certain qualifying criteria are met. Refer to the significant accounting judgements and key sources of estimation uncertainty section within the Material accounting policy information and notes 9 and 10 of the financial statements.	We obtained an understanding and evaluated the design and implementation of financial controls relating to the classification of costs between capital and operating expenditure. We performed sample testing at the individual expense level for costs capitalised into assets under construction and those expensed as repairs and maintenance during the year. We agreed the samples to third party evidence to verify the amounts and evaluated whether the costs were classified appropriately. We tested the calculation of borrowing costs capitalised, and the appropriateness of this capitalisation. Our procedures over own works capitalised included performing sample testing at the cost centre level by understanding and assessing the rationale behind the recharge rates attributed at a cost centre level. We also challenged management as to the nature of the costs and whether they meet the capitalisation criteria. We also evaluated the adequacy of disclosures in the financial statements.
<i>Valuation of defined benefit obligation (group)</i> Total scheme liabilities as at 31 March 2025 were £1,546.9m (2024: £1,736.1m). The valuation of retirement benefit obligations requires significant levels of judgement and technical expertise,	We obtained an understanding of the pensions process and evaluated the design and implementation of related financial controls.

including the use of actuarial experts to support management in selecting appropriate assumptions. Small changes in a number of the key financial and demographic assumptions used to value the retirement benefit obligation, in particular discount rates and mortality, could have a material impact on the calculation of the liability. The pension liability and related disclosures are also an area of interest to key stakeholders. Refer to the significant accounting judgements and key sources of estimation uncertainty section within the Material accounting policy information and note 22 of the financial statements.	We used our own actuarial experts to evaluate the assumptions made in relation to the valuation of the scheme liabilities. We benchmarked the various assumptions used (including discount rates and mortality expectations) against our internally developed benchmarks; evaluated the salary increase assumption against the group's historical trends and expected future outlook; and considered the consistency and appropriateness of the methodology and assumptions applied compared to those used in preparing the previous years financial results. The latest completed triennial valuations are as at 31 March 2022 for both the Thames Water Pension Scheme and the Thames Water Mirror Image Pension Scheme. These have been used in the calculation of the retirement benefit obligations, with the company's actuary using information from the Schemes actuary, including underlying cashflows and key scheme statistics. We have performed an independent rollforward from the valuation results to the accounting results and found them to be materiality accurate. We also evaluated the adequacy of disclosures in the financial statements.
<i>Valuation and completeness of provisions for environmental and other regulatory matters (group)</i> The group has provisions of £260.9m (2024: £94.5m) relating to environmental, legal and other regulatory matters. These primarily relate to matters arising from the company's obligations under its Instrument of Appointment, the Water Industry Act 1991 and the Environmental Permitting Regulations 2016. The determination of the completeness and valuation of environmental, legal and other regulatory matters is subjective, requiring significant judgement and a high degree of estimation uncertainty. For each matter, management must assess whether there is a present obligation as a result of a past event, the probability that an outflow of economic resources will be required and whether a reliable estimate can be made. This assessment determines the accounting treatment as either a provision, contingent liability or neither. Where a provision is recognised, management considers all available information in order to estimate the provision, including estimates and advice provided by external and internal legal counsel and historic experience. Refer to the significant accounting judgements and key sources of estimation uncertainty section within the Material accounting policy information and notes 20 and 24 of the financial statements.	We obtained an understanding of the provisioning process for environmental matters and evaluated the design and implementation of related financial controls. We confirmed that the group's external legal counsel have sufficient expertise, are appropriately qualified and are objective. In addition, were viewed legal advice and held discussions directly with external legal counsel, to identify potential inconsistencies or further environmental matters not considered by management. We obtained estimates of potential penalties directly from the group's external legal counsel and confirmed that these were used as the basis of the provisions recorded by management. Where relevant, we evaluated the consistency of the estimates year on year and understood the reasons for any significant changes. We have obtained the final decision notices from Ofwat and reviewed these to ensure the appropriateness of management's conclusion, including the basis for the valuation of the provision and the current or non-current classification. In particular we have obtained and inspected correspondence in relation to Ofwat's investigation into non-compliance at the company's sewage treatment works and Ofwat's investigation into dividends paid by the company in the year ended 31 March 2024. In both cases we concur with the provisions recorded by management and their classification as current. We are also satisfied that they meet the definition of exceptional costs according to management's accounting policy. We evaluated management's methodology for estimating a provision for matters not yet prosecuted by the Environmental Agency ('EA'). We calculated the historical prosecution rate and compared the estimated average fine level to actual previous fines issued by the EA for similar matters. The methodology used was applied consistently year-on-year and we consider it to remain appropriate. In respect of the matters set out in sections 1 to 5 of note 24 of the financial statements, we reviewed the latest advice from the group's external legal counsel and held discussions with them and management to further

	understand each matter. The evidence obtained supported the inclusion of these matters as contingent liabilities. We also evaluated the adequacy and completeness of disclosures in the financial statements.
<i>Accounting for debt modification (group)</i> During the year, the group implemented a comprehensive Restructuring Plan under Part 26A of the Companies Act 2006, involving a series of complex compromises and arrangements with its creditors. The Restructuring Plan included the extension of debt maturities, conversion of revolving credit facilities to term loans, cancellation of undrawn facilities, amendments to financial covenants, and the introduction of new super senior funding. In addition, significant consent fees were incurred, structured as non-interest-bearing instruments, and additional fees were payable to derivative counterparties. The plan also introduced a “maturity flip back” clause and a stable platform period (a period in which a restructuring could be effected) during which certain events of default and covenant breaches are suspended. The accounting for these arrangements required significant judgement and technical analysis, particularly in the following areas: Assessment of Debt Modification: Determining whether the changes to the group’s borrowings constituted a substantial modification under IFRS 9 or not. A substantial modification would require derecognition of the original debt instruments and recognition of new debt instruments. This involved analysis and assessment of the terms, including the impact of the maturity flip back clause and revised payment priorities. Management concluded that the debt modification did not constitute a substantial modification. Recognition and Measurement of Consent Fees: Evaluating whether the consent fees and other restructuring-related costs were directly attributable to existing debt instruments or the new super senior funding or should be expensed as incurred. Management concluded that these fees were not directly attributable to any specific debt instrument and therefore recognised them immediately as a finance expense with a corresponding financial liability, initially at fair value. Accounting for Derivative-Related Fees: Assessing the appropriate accounting treatment for additional fees payable to derivative counterparties, including one-off and ongoing fees based on mark-to-market exposures. Management recognised these as part of the related derivative balances, measured at fair value through profit or loss, rather than as separate derivative instruments or debt instruments with embedded derivatives. Presentation and Disclosure: Ensuring that the financial statement disclosures clearly and comprehensively described the impact of the restructuring plan on the group’s borrowings and derivatives, including the nature, timing, and amounts of the consent and other restructuring-related fees. Given the magnitude and complexity of the new financing arrangements entered into during the year, the significant judgement required in determining the appropriate accounting treatment for the fees and costs incurred in developing and implementing the restructuring plan, and the material impact on the group’s and company’s financial statements, we identified the impact of the restructuring plan on debt and derivatives accounting as a key audit matter.	We obtained an understanding of the process for accounting for debt modification and evaluated the design and implementation of related financial controls. We obtained an understanding of the restructuring plan and the steps taken to effect it, including reviewing relevant agreements, court documents, and explanatory statements provided to creditors. We reviewed the financing agreements resulting from the restructuring plan to understand the terms, restrictions, covenants, and obligations associated with the new arrangements, and assessing the appropriate accounting treatment. This included considering the possibility of any embedded derivatives requiring bifurcation and whether the restructuring plan resulted in a substantial modification to the group’s borrowings. We evaluated the nature of the various fees and costs, including their impact on debt modification calculations, and evaluating the accounting treatment of these fees and costs. We considered the impact of the plan on the accounting for derivatives, especially the credit risk adjustments. We consulted with our accounting technical specialist team on the appropriate accounting treatment. We reviewed the disclosures relating to the impact of the restructuring plan on the group’s borrowings and derivatives to ensure they are appropriately presented in the financial statements. We ensured that the implications of the new arrangements were appropriately considered within management’s going concern assessment and assumptions consistently applied across related areas.

How we tailored the audit scope

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

Thames Water Utilities Limited and Thames Water Utilities Finance plc were considered to be significant components and have been subject to full scope audits for the purpose of the consolidated group audit. Thames Water Utilities Limited is significant as it is the group's appointed water and wastewater services provider which also holds a significant proportion of the group's total assets and trading activities. Thames Water Utilities Finance plc is significant as it holds the majority of the group's external debt. We performed a full scope audit of the company financial statements and considered Thames Water Utilities Holdings Limited to be a non-significant component for the purpose of the consolidated group audit. All audit procedures were led by the group audit team located in the United Kingdom.

The impact of climate risk on our audit

In planning our audit we have considered the impact that the Group has on the environment through its operations and the impact the environment has on the Group. These considerations include the current and potential future impact climate change, has on the Group's business and its financial statements. Consistent with being one of the United Kingdom's largest suppliers of water and wastewater services, planning for, reacting to and assessing the impact of current and future changes in environmental factors, for example the volume and intensity of rainfall and periods of drought, is an inherent part of the Group's day to day activities. The majority of the Group's carbon emissions are incurred in the treatment of water and wastewater during the normal course of its operations, and the Group continues to develop its assessment and plan to address the risk of climate change on the business. Climate change initiatives impact the Group in a variety of ways including opportunities and risks relating to the potential to exploit the by-products of the sewage treatment process, operational and supply chain decarbonisation and the need to address and comply with a changing regulatory environment. Further information is provided within the Strategic report. While the Group has set out its Climate Positive targets and Science Based targets, the Group continues to assess and develop the consequences of this in terms of capital expenditure, the useful economic lives of current in use assets (and those currently under construction), the cost base and impacts on cash flows. The Group considered their climate ambitions in the preparation of the financial statements, including in the evaluation of critical accounting estimates and judgements. The Group concluded that based on the current plans in place to achieve their commitments, they did not have a material effect on the consolidated financial statements, as described in the Material accounting policy information as at 31 March 2025.

As part of our audit, we have made enquiries of management to understand the extent of the potential impact of climate change risks on the Group's financial statements, including their assessment of critical accounting estimates and judgements, and the effect on our audit. We have performed a risk assessment to evaluate the potential impact, including the estimates made regarding useful economic lives of property, plant and equipment. We considered the group's climate change risk assessment and this, together with involvement of our own climate change experts, provided us with an understanding of the potential impact of climate change on the financial statements. We determined that no heightened audit risk arose in the year in respect of climate change. We have read the Group's disclosure of climate related information in the front half of the annual report as set out in the TCFD section and considered consistency with the financial statements and our audit knowledge.

Materiality

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

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

	Financial statements - group	Financial statements - company
<i>Overall materiality</i>	£35,000,000.	£50,281,000.
<i>How we determined it</i>	0.15% of Total Assets	1.00% of Total Liabilities
<i>Rationale for benchmark applied</i>	Total assets has been determined to be the appropriate benchmark for both significant components of the group, accordingly group materiality is also based on total assets. For Public Interest Entities (PIE) a percentage of up to 1% of total assets is typical. However, we have considered multiple factors and given due consideration to other benchmarks and therefore using the lower percentage of 0.15% of total group assets was deemed to be most appropriate.	The entity is a holding company and total liabilities has been determined to be the appropriate benchmark for Thames Water Utilities Holdings Limited due to the size of intercompany borrowings held by the entity.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £24,500,000 and £33,250,000.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £26,250,000 for the group financial statements and £37,710,750 for the company financial statements.

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

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £3,500,000 (group audit) and £5,028,100 (company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Reporting on other information

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

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

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

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

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 March 2025 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to Ofwat Regulations including licence conditions, Environmental regulations, Listing Rules and Pension legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as UK corporation tax legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of journal entries to manipulate the financial results in the year, specifically journals to increase revenue, decrease the bad debt provision and reclassify costs from the income statement to below EBITDA. We have also considered the risk of management bias in forming its significant accounting judgements or estimates and in the related disclosures. Audit procedures performed by the engagement team included:

- Discussions and enquiries of management, the internal audit function and external and internal legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Challenging assumptions made by management in determining significant accounting estimates and judgments, including challenging management in relation to how they have considered climate risk in such critical estimates. We have tested significant accounting estimates and judgements to supporting documentation, considering alternative or contradictory information where available along with considering the appropriateness of the related disclosures in the financial statements;
- Identifying and testing a sample of journal entries throughout the whole year, which met our pre-determined fraud risk criteria;
- Reviewing minutes of meetings of those charged with governance and reviewing internal audit reports; and
- Incorporating elements of unpredictability into the audit procedures performed.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk

of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report. In our engagement letter, we also agreed to describe our audit approach, including communicating key audit matters.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Other matter

The group financial statements for the year ended 31 March 2024 and Consolidated statement of financial position as at 1 April 2023, forming the corresponding figures of the group financial statements for the year ended 31 March 2025, are unaudited.

Sotiris Kroustis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
22 July 2025

Consolidated Income Statement

For the year ended 31 March 2025

	Note	Audited 2025				Unaudited ¹ 2024			
		Underlying £m	Exceptional items £m	BTL £m	Total £m	Underlying £m	Exceptional items £m	BTL £m	Total £m
Revenue	2	2,602.8	-	135.4	2,738.2	2,401.4	-	116.8	2,518.2
Net operating expenses	3	(2,153.7)	(219.9)	-	(2,373.6)	(2,066.3)	(43.9)	-	(2,110.2)
Expected credit losses on trade receivables and contract assets	3,14	(43.6)	-	(0.3)	(43.9)	(39.5)	-	(0.2)	(39.7)
Total operating expenses		(2,197.3)	(219.9)	(0.3)	(2,417.5)	(2,105.8)	(43.9)	(0.2)	(2,149.9)
Other operating income	2	150.3	-	-	150.3	148.9	-	-	148.9
Operating profit		555.8	(219.9)	135.1	471.0	444.5	(43.9)	116.6	517.2
Finance income	5	186.3	-	-	186.3	206.3	-	-	206.3
Finance expense	5	(886.1)	(192.5)	-	(1,078.6)	(885.8)	-	-	(885.8)
Net (losses)/gains on financial instruments	6	(148.0)	(92.5)	-	(240.5)	152.3	-	-	152.3
(Loss)/Profit on ordinary activities before taxation		(292.0)	(504.9)	135.1	(661.8)	(82.7)	(43.9)	116.6	(10.0)
Tax credit/(charge) on (loss)/profit on ordinary activities	7	111.4	84.7	29.2	225.3	(37.3)	(18.7)	(29.2)	(85.2)
(Loss)/profit for the year		(180.6)	(420.2)	164.3	(436.5)	(120.0)	(62.6)	87.4	(95.2)

¹The consolidated group financial statements and related notes numbers have not been audited for the year ended 31 March 2024. However, for the same period, the individual entities which form the basis of the consolidated numbers have been audited.

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

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

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 accounting policies. 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.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2025

	Note	Audited 2025				Unaudited ¹ 2024			
		Underlying £m	Exceptional items £m	BTL £m	Total £m	Underlying £m	Exceptional items £m	BTL £m	Total £m
(Loss)/profit for the year		(180.6)	(420.2)	164.3	(436.5)	(120.0)	(62.6)	87.4	(95.2)
Other comprehensive income/(expense)									
<i>Will not be reclassified to the Income Statement:</i>									
Net actuarial gain on pension schemes	22	21.0	-	-	21.0	18.9	-	-	18.9
Deferred tax charge on net actuarial gain	19	(5.2)	-	-	(5.2)	(5.9)	-	-	(5.9)
<i>May be reclassified to the Income Statement:</i>									
Cash flow hedge transferred to Income Statement	18	2.8	-	-	2.8	18.7	-	-	18.7
Deferred tax charge on cash flow hedge	19	(0.7)	-	-	(0.7)	(4.7)	-	-	(4.7)
Other comprehensive income for the year		17.9	-	-	17.9	27.0	-	-	27.0
Total comprehensive (expense)/income for the year		(162.7)	(420.2)	164.3	(418.6)	(93.0)	(62.6)	87.4	(68.2)

¹The consolidated group financial statements and related notes numbers have not been audited for the year ended 31 March 2024. However, for the same period, the individual entities which form the basis of the consolidated numbers have been audited.

Bazalgette Tunnel Limited (BTL) is an independent company, appointed in 2015 to construct the Thames Tideway Tunnel. We have recognised revenue, cost and profit on the arrangement with BTL and have disclosed our underlying performance separately as required by some of our financial covenants. Information on how the Group accounts for this arrangement is detailed in the accounting policies.

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 accounting policies. 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.

Consolidated Statement of Financial Position

As at 31 March 2025

	Note	Audited 31 March 2025			Unaudited ¹ 31 March 2024		Unaudited ² 1 April 2023			
		Underlying £m	BTL £m	Total £m	Underlying £m	BTL £m	Total £m	Underlying £m	BTL £m	Total £m
Non-current assets										
Intangible assets	9	207.5	-	207.5	233.9	-	233.9	263.3	-	263.3
Property, plant and equipment	10	20,836.2	-	20,836.2	19,371.8	-	19,371.8	18,017.4	-	18,017.4
Investment property	11	2.0	-	2.0	2.0	-	2.0	2.0	-	2.0
Right-of-use assets	12	37.4	-	37.4	36.5	-	36.5	39.8	-	39.8
Derivative financial assets	18	300.1	-	300.1	355.3	-	355.3	417.2	-	417.2
Intercompany loans receivable		-	-	-	-	-	-	5.2	-	5.2
Prepayments	14	-	623.9	623.9	-	493.4	493.4	-	377.9	377.9
Insurance and other receivables	14	45.1	-	45.1	40.0	-	40.0	64.6	-	64.6
Pension asset	22	25.9	-	25.9	33.0	-	33.0	6.0	-	6.0
		21,454.2	623.9	22,078.1	20,072.5	493.4	20,565.9	18,815.5	377.9	19,193.4
Current assets										
Inventories	13	22.5	-	22.5	23.3	-	23.3	20.9	-	20.9
Trade receivables	14	379.1	24.0	403.1	373.9	25.7	399.6	315.9	16.8	332.7
Contract assets	14	337.9	6.3	344.2	288.6	7.5	296.1	253.6	5.2	258.8
Prepayments	14	58.0	-	58.0	45.2	-	45.2	48.8	-	48.8
Insurance, other receivables and amounts owed by group undertakings	14	54.9	-	54.9	62.7	-	62.7	49.3	-	49.3
Group relief receivable	14	-	-	-	50.6	(45.8)	4.8	253.8	(16.6)	237.2
Derivative financial assets	18	-	-	-	33.0	-	33.0	31.9	-	31.9
Cash and cash equivalents	15	280.6	25.8	306.4	1,274.9	6.3	1,281.2	1,829.3	7.0	1,836.3
		1,133.0	56.1	1,189.1	2,152.2	(6.3)	2,145.9	2,803.5	12.4	2,815.9
Current liabilities										
Contract liabilities	16	(169.3)	(0.5)	(169.8)	(132.9)	(0.5)	(133.4)	(130.1)	-	(130.1)
Trade and other payables	16	(978.9)	(20.8)	(999.7)	(901.9)	(8.9)	(910.8)	(818.1)	-	(818.1)
Bank overdraft ³	15	(71.2)	-	(71.2)	(126.7)	-	(126.7)	-	-	-
Borrowings	17	(324.1)	-	(324.1)	(1,245.1)	-	(1,245.1)	(1,909.8)	-	(1,909.8)
Lease liabilities	12	(6.5)	-	(6.5)	(7.8)	-	(7.8)	(7.3)	-	(7.3)
Derivative financial liabilities	18	(66.2)	-	(66.2)	(245.4)	-	(245.4)	(67.1)	-	(67.1)
Provisions for liabilities and charges	20	(231.7)	-	(231.7)	(65.1)	-	(65.1)	(35.0)	-	(35.0)
		(1,847.9)	(21.3)	(1,869.2)	(2,724.9)	(9.4)	(2,734.3)	(2,967.4)	-	(2,967.4)
Net current (liabilities)/assets		(714.9)	34.8	(680.1)	(572.7)	(15.7)	(588.4)	(163.9)	12.4	(151.5)
Non-current liabilities										
Contract liabilities	16	(1,159.4)	-	(1,159.4)	(1,039.1)	-	(1,039.1)	(921.7)	-	(921.7)
Borrowings	17	(20,290.3)	-	(20,290.3)	(18,526.4)	-	(18,526.4)	(17,341.0)	-	(17,341.0)
Lease liabilities	12	(46.7)	-	(46.7)	(45.2)	-	(45.2)	(49.7)	-	(49.7)
Derivative financial liabilities	18	(1,652.0)	-	(1,652.0)	(1,490.5)	-	(1,490.5)	(1,924.7)	-	(1,924.7)
Deferred tax	19	(1,071.2)	-	(1,071.2)	(1,295.4)	-	(1,295.4)	(1,190.2)	-	(1,190.2)
Provisions for liabilities and charges	20	(265.7)	-	(265.7)	(209.6)	-	(209.6)	(192.7)	-	(192.7)
Pension deficit	22	(112.1)	-	(112.1)	(152.1)	-	(152.1)	(182.0)	-	(182.0)

Net (liabilities)/assets		(24,597.4)	-	(24,597.4)	(22,758.3)	-	(22,758.3)	(21,802.0)	-	(21,802.0)
		(3,858.1)	658.7	(3,199.4)	(3,258.5)	477.7	(2,780.8)	(3,150.4)	390.3	(2,760.1)
Equity										
Called up share capital	21	547.5	-	547.5	547.5	-	547.5	500.0	-	500.0
Cash flow hedge reserve	21	-	-	-	(2.1)	-	(2.1)	(16.1)	-	(16.1)
Revaluation reserve	21	748.6	-	748.6	770.9	-	770.9	795.5	-	795.5
(Accumulated losses)/Retained earnings	21	(5,154.2)	658.7	(4,495.5)	(4,574.8)	477.7	(4,097.1)	(4,429.8)	390.3	(4,039.5)
Total equity		(3,858.1)	658.7	(3,199.4)	(3,258.5)	477.7	(2,780.8)	(3,150.4)	390.3	(2,760.1)

¹The consolidated group financial statements and related notes numbers have not been audited for the year ended 31 March 2024. However, for the same period, the individual entities which form the basis of the consolidated numbers have been audited.

²The consolidated group statement of financial position as at 1 April 2023 has not been audited.

³Bank overdraft at 31 March 2025 largely includes the impact of a committed BACs run. This presentation follows our accounting policy, whereby committed payments are accounted for on the date of payment instruction, which may be in advance of the cash settlement. Cash held in a pre-funding account was sufficient to cover the cash outflows on the settlement date.

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

The consolidated financial statements (which include the accompanying accounting policies and notes) for the Company, registered in England & Wales company number 06195202, were approved by the Board of Directors on 22 July 2025 and signed on its behalf by:

A Montague
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2025

	Note	Called up share capital £m	Cash flow hedge reserve £m	Revaluation reserve £m	(Accumulated losses)/ Retained earnings £m	Total equity £m
1 April 2023¹		500.0	(16.1)	795.5	(4,039.5)	(2,760.1)
Loss for the year		-	-	-	(95.2)	(95.2)
Cash flow hedge transferred to Income Statement	18	-	18.7	-	-	18.7
Deferred tax charge on cash flow hedge	19	-	(4.7)	-	-	(4.7)
Net actuarial gain on pension scheme	22	-	-	-	18.9	18.9
Deferred tax charge on net actuarial gain	19	-	-	-	(5.9)	(5.9)
Total comprehensive income/(expense)		-	14.0	-	(82.2)	(68.2)
Transfer of depreciation ²		-	-	(32.8)	32.8	-
Deferred tax on depreciation transfer ²		-	-	8.2	(8.2)	-
Share capital issued	21	47.5	-	-	-	47.5
31 March 2024¹		547.5	(2.1)	770.9	(4,097.1)	(2,780.8)
Loss for the year		-	-	-	(436.5)	(436.5)
Cash flow hedge transferred to Income Statement	18	-	2.8	-	-	2.8
Deferred tax charge on cash flow hedge	19	-	(0.7)	-	-	(0.7)
Net actuarial gain on pension scheme	22	-	-	-	21.0	21.0
Deferred tax charge on net actuarial gain	19	-	-	-	(5.2)	(5.2)
Total comprehensive income/(expense)		-	2.1	-	(420.7)	(418.6)
Transfer of depreciation ²		-	-	(29.8)	29.8	-
Deferred tax on depreciation transfer ²		-	-	7.5	(7.5)	-
31 March 2025		547.5	-	748.6	(4,495.5)	(3,199.4)

¹The consolidated group financial statements and related notes numbers have not been audited for the year ended 31 March 2024. However, for the same period, the individual entities which form the basis of the consolidated numbers have been audited.

²The movement between the revaluation reserve and retained earnings arising from the depreciation and associated deferred tax on the fair value uplift on assets.

Consolidated Statement of Cash Flows

For the year ended 31 March 2025

		Audited 2025			Unaudited ¹ 2024		
	Note	Underlying £m	BTL £m	Total £m	Underlying £m	BTL £m	Total £m
Net cash generated by/(used in) operating activities²	27	1,269.6	19.5	1,289.1	1,136.1	(0.7)	1,135.4
Investing activities:							
Purchase of property, plant and equipment ³		(1,995.3)	-	(1,995.3)	(1,849.9)	-	(1,849.9)
Purchase of intangible assets		(44.3)	-	(44.3)	(43.2)	-	(43.2)
Proceeds from sale of property, plant and equipment		21.0	-	21.0	6.4	-	6.4
Interest received ⁴		201.7	-	201.7	190.5	-	190.5
Net cash used in investing activities		(1,816.9)	-	(1,816.9)	(1,696.2)	-	(1,696.2)
Financing activities:							
New loans raised ⁵		1,170.8	-	1,170.8	3,099.4	-	3,099.4
Repayment of borrowings ⁶		(790.0)	-	(790.0)	(2,661.4)	-	(2,661.4)
Repayment of lease principal		(11.1)	-	(11.1)	(10.2)	-	(10.2)
Proceeds from derivative settlement ⁷		19.8	-	19.8	28.5	-	28.5
Payment for derivative settlement ⁸		(278.7)	-	(278.7)	(171.8)	-	(171.8)
Interest paid		(414.6)	-	(414.6)	(397.8)	-	(397.8)
Financing fees paid ⁹		(87.7)	-	(87.7)	(7.7)	-	(7.7)
Net cash used in financing activities		(391.5)	-	(391.5)	(121.0)	-	(121.0)
Net (decrease)/increase in cash and cash equivalents		(938.8)	19.5	(919.3)	(681.1)	(0.7)	(681.8)
Net cash and cash equivalents at beginning of period		1,148.2	6.3	1,154.5	1,829.3	7.0	1,836.3
Net cash and cash equivalents at end of period		209.4	25.8	235.2	1,148.2	6.3	1,154.5

¹The consolidated group financial statements and related notes numbers have not been audited for the year ended 31 March 2024. However, for the same period, the individual entities which form the basis of the consolidated numbers have been audited.

² Net cash generated by operating activities for the year ended 31 March 2025 includes £80.4 million (2024: £37.6 million) of payments made during the year ended 31 March 2025 related to the exceptional costs recognised in the Income Statement of £219.9 million (2024: £43.9 million) for restructuring and transformation expenditure.

³ Purchase of property, plant and equipment does not include an adjustment to account for the cash on accruals relating to additions of capital investment in the period; therefore, this figure does not tie to the additions in note 10. This number excludes the movement in capital infrastructure provisions.

⁴ Proceeds from sale of property, plant and equipment does not include £nil (2024: £16.7 million) disposals in exchange for land (non-cash).

⁵ New loans raised of £1,170.8 million (2024: £3,099.4 million) comprises £1,170.8 million (2024: £1,801.3 million) of drawdowns relating to revolving credit facilities, all of which were Class A (2024: £1,060.0 million). On 25 February 2025, the revolving credit facilities were amended, and existing drawdowns were converted to term loans. £123.5 million of consent fee debt (2024: £nil), made up of a combination of bonds, loans and fee letters have been excluded from the above analysis as consent fee debt was issued in lieu of cash for creditor consent fees. Rollovers of drawdowns under revolving credit facilities will not appear as new cash flows in the cash flow statement.

⁶ Repayment of borrowings of £790.0 million (2024: £2,666.4 million) includes £490.7 million (2024: £741.3 million) of repayments relating to revolving credit facilities. The remaining amount includes £157.9 million loan repayments (2024: £669.6 million) and £141.4 million bond repayments (2024: £1,255.5 million).

⁷ Proceeds from derivative settlement of £19.8 million (2024: £28.4 million) relates to settlement of cross currency swaps.

⁸ Payment for derivative settlement of £278.7 million (2024: £171.8 million) includes £143.5 million (2024: £152.0 million) relating to accretion paydown on index-linked swaps and £135.2 million (2024: £19.8 million) relating to settlement of swaps.

⁹ Financing fees paid for the year ended 31 March 2025 includes £68.4 million (2024: £nil) of payments made relating to exceptional finance expenses on debt restructuring costs of £86.8 million (2024: £nil) recognised in the Income Statement. The remaining exceptional items of consent fee debt of £105.7 million (2024: £nil), and consent fee derivatives of £92.5 million (2024: £nil) recognised in the Income Statement have not been paid as at 31 March 2025.

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

Material accounting policy information

The material accounting policies adopted in the preparation of these consolidated and Company financial statements, which have been applied consistently, unless otherwise stated, are set out below.

General information

Thames Water Utilities Holdings Limited (the Company) is a private 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 principal activity of the Group is the appointed supply of water and wastewater services to customers in London, the Thames Valley and surrounding area, delivered entirely through its wholly owned direct subsidiary, Thames Water Utilities Limited (TWUL or Thames Water), in accordance with TWUL's Licence of Appointment. References to "our" or "we" in this report relates to the activities of the Group including TWUL.

As at 31 March 2025, the Group includes the Company, TWUL, Thames Water Utilities Finance plc (TWUF), and Thames Water Super Senior Issuer plc (TWSSI) as its three subsidiaries.

The principal activity of the Company is to act as the holding company of the Group, and it does not carry out any activities beyond this.

Statement of compliance with International Financial Reporting Standards

These consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

These Company financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, in conformity with the requirements of the Companies Act 2006.

In preparing these Company financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards adopted by the UK Endorsement Board, but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

As permitted by FRS 101, the Company has taken advantage of the following exemptions:

- IFRS 7 Financial instruments: Disclosures.
- Paragraphs 91 to 99 of IFRS 13 Fair value measurement (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1 Presentation of financial statements comparative information requirements in respect of:
 - paragraph 79(a)(iv) of IAS 1 (reconciliation of the number of shares outstanding at the beginning and end of the period), and
- The following paragraphs of IAS 1 Presentation of financial statements:
 - 10(d) (statement of cash flows).
 - 16 (statement of compliance with all IFRS),
 - 38B-D (additional comparative information),
 - 111 (cash flow statement information), and
 - 134-136 (capital management disclosures).
- IAS 7 Statement of cash flows.
- Paragraph 30 and 31 of IAS 8 Accounting policies, changes in accounting estimates and errors (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24 Related party disclosures (key management compensation).
- The requirements in IAS 24 Related party disclosures to disclose related party transactions entered into between two or more members of a group.

Going concern

Basis of preparation

The consolidated and Company only financial statements 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.

The Thames Water Utilities Holdings Limited (TWUHL or the Company) Directors have assessed TWUHL's ability to continue as a going concern, recognising that it is a holding company which does not trade and has no external debt. However, the Company guarantees obligations of its subsidiaries TWUL and Thames Water Utilities Finance plc (TWUF) under the terms of the Whole Business Securitisation (WBS).

Further, under the deed of contribution the Company liable for half of TWUF's and TWUL's payments due to senior creditors directly, rather than as guarantor, if there is written demand by TWUF or TWUL. Its purpose was to enable the Company to be the main party in the court-sanctioned restructuring plan and the arrangement remains in place until the conditions precedent for the court-sanctioned restructuring plan is met. Because there was no written demand for payment no obligations arise under which a financial liability would need to be recognised by the respective entities on 31 March 2025. However, the nature of the contract gives rise to a contingent liability for the Company, because there is a possibility there could be a written demand as long as the deed remains in place. Management believes the possibility that a demand in relation to any payments which have already occurred is remote, which is supported by letters of comfort from the TWUL and TWUF respectively confirming they do not intend to make such a demand, and that there is no present intention to make a demand for future payments.

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Material accounting policy information (continued)

Going concern (continued)

Basis of preparation (continued)

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 management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so.

In the context of the IAS standard, the Company has concluded that it should prepare its accounts as a going concern, however there are two areas which give rise to material uncertainties in relation to going concern, firstly considerations which specifically relate to the conditions of the Company and secondly the Company's obligations to TWUL, which has a material uncertainty.

Company Considerations

The Company holds negligible amounts of cash. In assessing the going concern basis of preparation for the Group and Company, the Directors have considered the forecast cash outflows of the Company over the going concern assessment period (defined as 12 months from the date of the approval of the accounts) of £0.2 million and have concluded it has access to sufficient liquidity to manage its forecast cash outflows over this period.

In reaching this conclusion the Company has obtained and is placing reliance on a letter of support, provided by its subsidiary Thames Water Utilities Limited (TWUL), stating that for the 12 months from the date of approval of these accounts it will provide adequate financial support to allow the Company to meet its liabilities as they fall due. This letter covers expenses which may arise in a reasonable but severe downside for TWUHL, noting that as a holding company such expenses are not expected to be material. Amounts funded by TWUL will not be recovered from TWUL's customers and will be disclosed as "disallowable costs" under the Regulatory Accounting Guidelines within TWUL's Annual Performance Report.

TWUL and TWL are unable to demand repayment from the Company during the two-year restructuring period referred to as our Stable Platform Period. For disclosure purposes, the amounts have been disclosed as non-current at 31 March 2025 in line with their existing legal terms and are not expected to be repaid during the going concern period. The Directors have also taken into consideration that under the terms of the WBS, should TWL demand repayment and the Company is unable to pay then the relevant amount is automatically deferred and not due for payment.

The Company has an intercompany payable of £0.1 million (2024: £nil) owed to Kemble Water Holdings Limited, the Company's ultimate parent. The payable is unsecured and has no interest charged. This balance accrued under a letter of support issued in September 2024, per the terms of the letter this is only repayable when the Company has access to alternative sources.

Whilst a commitment has been given by TWUL to support the Company with its day to day administrative expenses, uncertainty exists over the financial stability of TWUL, as explained further below. Management believes that it is reasonable to assume that support will continue to be provided, given TWUL's cash position and expected access to further cash, and given shared objectives between the two organisations in relation to the continued ability to operate the Company's business.

However, there is a material uncertainty arising from future events which may result in the letter of support from TWUL not being relied upon, which casts significant doubt as to whether the Company would be able to continue to operate as a going concern. Subject to the material uncertainty as described above, the Directors have concluded the Company will have access to sufficient liquidity to meet its liabilities as they fall due for a period of 12 months from the date of approval of these accounts.

In addition, the Company is party to the WBS and cross guarantees the debt liabilities of the TWUL Group. The Directors of the Company have considered these obligations and made extensive enquiries of the TWUL Directors in considering these obligations and the impact on the Company as detailed further below.

TWUL Group considerations

Given the dependency on TWUL and the obligations the Company has under the WBS, the Company's Directors have considered as part of the Company's and TWUHL's Group going concern assessment, the current financial position of the Company's sole direct subsidiary TWUL (the only trading entity within the group headed by the Company). In making this assessment the Directors of the Company have made extensive enquiries of the TWUL Directors, all of which are also TWUHL Directors, which includes understanding their current intentions and expectations (and on what basis these have been formed) as well as considering the actions taken by TWUL post the balance sheet date of 31 March 2025. The section below summarises these considerations.

Whilst a material uncertainty exists, the Directors believe that it is reasonable to assume that actions can be taken such that the TWUL Group (being TWUL, TWUF and TWSSI) has adequate resources, for a period of 12 months from the date of approval of the Company's financial statements, to continue operations and discharge their obligations as they fall due. However, there exists a material uncertainty which could occur in the very near term, which may cast significant doubt on the Group and Company's ability to continue as a going concern in relation to the preparation of the financial statements given the TWUL Group requires a recapitalisation transaction to be implemented, the outcome and timing of which is not within their control. The Company is a guarantor under the WBS agreement and so any uncertainties in relation to the going concern position of TWUL directly impact the going concern assessment of the Company. The Company has also entered into a Deed of Contribution under which TWUL and TWUF can demand from the Company half of any payments made on senior debt. However, TWUL and TWUF have stated in a letter to the Company they do not expect to make such a demand.

TWUL Group basis of preparation assessment

Context

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

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Material accounting policy information (continued)

Going concern (continued)

Basis of preparation (continued)

The TWUL Directors have made two central assumptions. The first of these is that the restructuring plan sanctioned by the High Court on 21 February 2025 ("RP1") is not successfully appealed and subsequently overturned. The second assumption is that the TWUL Group will be able to conclude a holistic recapitalisation, implemented by way of a restructuring plan under Part 26A of the Companies Act 2006 ("RP2"), either within the Assessment Period or shortly thereafter. The TWUL 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.

There is, therefore, material uncertainty 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 possible 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 TWUL 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 TWUL's process to increase its long-term financial resilience, to attract new equity into the business, restore its investment grade credit rating and address the Section 19 undertakings relating to restoration of investment grade credit ratings agreed with Ofwat last year (as explained further below).

Following a judgment of the High Court of Justice of England and Wales handed down on 18 February 2025, the restructuring plan under Part 26A of the Companies Act 2006 proposed by TWUHL was sanctioned pursuant to an order of the High Court dated 21 February 2025. RP1 was designed to provide a sufficient liquidity runway to enable the TWUL Group to achieve a recapitalisation transaction, by extending the TWUL Group's liquidity runway.

On 17 March 2025, the sanction order was upheld by the Court of Appeal subject to a limited modification. On 13 June 2025, Charles Maynard MP directly sought the permission of the Supreme Court to appeal the Court of Appeal decision to the Supreme Court (such request for permission having been refused by the Court of Appeal). Such request for permission to appeal remains outstanding, although Charles Maynard MP has requested that it be decided on an expedited basis.

RP1, which remains subject to an appeal process, has enabled, and continues to enable the TWUL Group to seek a sustainable recapitalisation transaction. RP1 had three principal elements:

- it extended the maturities of all Class A Debt and Class B Debt (including amortisation payments, but in each case excluding hedging arrangements under the WBS structure) by two years;
- it permitted a new Super Senior credit facility with an initial committed tranche of £1.5 billion, subject to conditions, and a further £1.5 billion comprising two uncommitted tranches of £750 million each (the "Accordion"), which may be accessible following the satisfaction of certain conditions precedent (some of which are not yet satisfied and remain out of the TWUL Group's control); and
- it temporarily suspended a number of the financial and other covenants in TWUL's financing documentation.

The TWUL Group commenced the drawdown process for the first tranche of funding in April 2025 and second tranche of funding in May 2025.

To date, the TWUL Group has drawn £715 million of funding from the initial committed tranche, with consent granted on 14 July 2025 for a further two drawdowns which provides additional resources for the TWUL Group through to September 2025. Funding for the further two drawdowns is expected to be provided in late July 2025 and mid-August 2025, in an aggregate amount of £157 million. The remaining £628 million committed super senior funding is expected to provide liquidity through to December 2025 based on the latest Board approved budget. The TWUL Group'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.

The super senior funding is subject to conditions precedent, and as noted above, it is subject to two conditions precedent that remain unsatisfied and unwaived:

- that a final, unappealable judgment has been provided in respect of RP1. A decision as to whether the Supreme Court will grant Mr Maynard permission to appeal, as submitted on 13 June 2025, has not yet been made and therefore this condition (the 'Appeal Condition') remains outstanding.
- that, for any drawing on or after 31 July 2025 (save for the £157 million referred to above) a supported lock-up agreement is in place for RP2 (with 66 2/3% of class A creditors and super senior creditors signed up). This date was extended from 30 June 2025 to 31 July 2025 as part of the recent consent process 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 under a streamlined mechanism with its super senior creditors.

The TWUL Group expects to launch further waiver processes whilst these conditions remain unsatisfied. There can be no certainty that its super senior creditors will agree to such waivers, although to date the requisite voting thresholds have been achieved on each occasion with a consent rate of over 95% (including deemed consents) in each waiver process to date, indicating to the Board that the super senior creditors remain, as recently as 14 July 2025, supportive of efforts to conclude a holistic recapitalisation. Any super senior creditor who does not participate in the waiver processes for these conditions precedent will have their commitments deferred until the full super senior funding, including the Accordion, has been obtained (and an amount equal to the deferred amount, can be requested for commitment from other super senior lenders).

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Material accounting policy information (continued)

Going concern (continued)

Basis of preparation (continued)

The Appeal Condition also applies to the Accordion, which TWUL cannot draw until the supported lock-up agreement is in place for RP2 and the CMA referral decision has been made (unless such conditions are waived). TWUL expects to seek continued funding (including waivers as needed) from its creditors in the second half of 2025. This additional liquidity is expected, once available, to provide liquidity until September 2026 based on the latest Board approved forecast. As noted above, the super senior creditors have to date been supportive. There can, however, be no certainty that such super senior creditors will provide commitments to fill the £1.5 billion Accordion. 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 TWUL's debt documentation. The outcome of these amendments is that the Trigger Events and Events of Default relating to financial ratios are no longer applicable during the ongoing period known as the 'Stable Platform Period' 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, the TWUL Group has heightened reporting obligations to its secured creditors under its WBS structure. It also has additional covenants including a minimum liquidity cashflow covenant ("Minimum Liquidity Covenant") requiring, upon a request to drawdown on super senior funding, confirmation that the TWUL Group has sufficient positive liquidity for a rolling 13-week period. Provided that the full £3 billion super senior funding is made available to the TWUL Group, the TWUL Group considers that the Minimum Liquidity Covenant should continue to be met through the Assessment Period. However, this is subject to uncertainty as the TWUL Group is 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 any timing of agreed payment plans in respect of outstanding or future penalty notices (including those outlined below), costs in respect of investigations and enquiries, and potential risks around forecasting accuracy of weekly cash requirements.

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

2. Financeable and investable Regulatory Settlement

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

On 18 March 2025, the TWUL Group announced that it had agreed with Ofwat to defer making the CMA reference for a period of up to 18 weeks to explore the possibility of unlocking a market-led solution for the recapitalisation of the TWUL Group. The TWUL Group's ad-hoc group of senior creditors (the "AHG Creditors") 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. There is uncertainty as to whether these discussions will deliver such outcome.

The TWUL Group 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.

For the five other water companies who have referred their FD for a CMA redetermination, the CMA has 12 months to issue a decision from the point of referral, being 18 March 2025. If the TWUL Group 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. There can be no assurance that the CMA would make a re-determination that is more investable or financeable than Ofwat's PR24 FD. An unfavourable CMA determination could increase the risk of a special administration outcome.

3. Equity Raise and Debt Restructure

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

On 31 March 2025 the TWUL Group announced, following the detailed assessment of proposals received, that it had selected KKR to enter the Phase 2 diligence stage of the equity process as preferred partner. The TWUL Group's AHG Creditors in parallel progressed work on an alternative proposal to recapitalise the TWUL Group. 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 proposal from the senior creditors was submitted at the same time and TWUL is continuing discussions with those senior creditors, Ofwat and other stakeholders on the proposal.

The Board is focussed on putting Thames Water on a more stable financial foundation, implementing its turnaround plan and delivering a market-led solution that is in the best interests of customers, UK taxpayers and the wider economy. Discussions to progress the creditor-led transaction continue, including with Ofwat and TWUL's other stakeholders. Agreed transaction terms are targeted for the fourth quarter of 2025 with a view to progressing towards implementation of a transaction by way of RP2 in 2026, although this will depend on the progress in ongoing discussions.

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Material accounting policy information (continued)

Going concern (continued)

Basis of preparation (continued)

RP2 will also require 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 creditors vote in favour, the court may exercise its discretion to sanction the plan in any event. There is a risk that creditors and/or shareholders challenge RP2 in the High Court and/or on appeal.

Advisors to the AHG Creditors 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 creditor-led proposal will be forthcoming (as it remains subject to diligence, documentation and regulatory and other approvals) or that it will be capable of being implemented.

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

Other uncertainties and potential implications

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

On 24 July 2024 Moody's downgraded TWUL's corporate family rating to Ba2 with negative outlook (from Baa3) and on 31 July 2024 Standard & Poor's downgraded TWUL's Class A debt by two notches to BB with negative outlook (from BBB- 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 S&P'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 issuer grade credit ratings and Ofwat has confirmed it is in breach of Condition P26 of its Licence. A package of undertakings was accepted by Ofwat in which the TWUL Group committed to taking all reasonable steps to address the concerns raised by its credit rating agencies and to restore two Investment Grade Ratings. The consultancy firm, L.E.K. Consulting, was appointed as an 'independent monitor' to review the TWUL Group's progress and compliance with the undertakings it made to Ofwat. Successfully restoring its investment grade credit rating is reliant on securing an investable and financeable PR24 outcome (which may be subject to a CMA referral), securing new equity investment and completing a sustainable recapitalisation of the business. However, the Directors believe that the TWUL Group is currently compliant with the undertakings.

On 28 May 2025, Ofwat issued two penalties to TWUL in respect to which the TWUL Group is seeking to agree payment plans with Ofwat (of which the payment in relation to the enforcement order would require creditor approval):

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

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

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

These could be breached (or be likely to be breached) in such a way that would be serious enough to make it inappropriate for the TWUL Group to continue to hold its licence of appointment and give rise to a ground for the Secretary of State (or Ofwat, with the consent of the Secretary of State) to petition the court for a Special Administration Order (including through a significant adverse operational event, depending on its severity). A petition could also be made if the TWUL Group 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.

Material accounting policy information (continued)

Going concern (continued)

Basis of preparation (continued)

Conclusion

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

However, there exists a material uncertainties which may cast significant doubt on the Group and Company's ability to continue as a going concern in relation to the preparation of the financial statements given:

- The Company is reliant on support from its direct subsidiary TWUL to provide the liquidity required to meet the Company's cash outflows as they fall due and there is a material uncertainty as to whether TWUL will be in a position to provide that support as and when required for the duration of the going concern assessment period (12 months from the approval date of these accounts).
- Further, there is a material uncertainty as to whether the Group will be able to deliver a recapitalisation transaction by way of RP2 successfully, either within the Assessment Period or at all. If it fails to do so, the Group 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 the Group and Company's control and which could occur in the very near term. Taken together these may cast significant doubt on the Group and the Company's ability to continue as a going concern in relation to the preparation of the financial statements.

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

Basis of Consolidation

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

The consolidated group financial statements and related notes numbers have not been audited for the year ended 31 March 2024 or the opening consolidated statement of financial position for 1 April 2023, as this is the first period these accounts have been consolidated. However, for the same period, the individual entities which form the basis of the consolidated numbers, have been audited.

Bazalgette Tunnel Limited (BTL) arrangement

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

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

Disclosed within significant accounting judgments and key sources of estimation uncertainty is the Group's assessment of it acting as a "principal" under the arrangement with BTL. Under IFRS 15 (within P.B35B), the Group is required to recognise revenue in the gross (not net) amount of consideration to which the entity expects to be entitled in exchange for the specified goods and services transferred. Under IFRS 15 it is deemed that delivery of the TTT forms part of the Group's performance obligation to customers to provide wastewater services and does not represent a distinct performance obligation. Revenue is recognised as the performance obligations to the customer are satisfied. The Group therefore presents the amounts billed as revenue in its financial statements, and with an associated cost representing bad debt on amounts billed, this also gives rise to reporting profit, which is taxable. The revenue, cost and resulting profit on this arrangement are disclosed separately to the Group's underlying performance in the financial statements. As a result of this arrangement, a prepayment is created and will be realised over the useful economic life of the assets recognised on control of the tunnel.

As part of the construction of the TTT, assets under construction and buildings are acquired by the Group and recognised within assets under construction and land and buildings within property, plant and equipment. An element of the portfolio of land and buildings acquired will be disposed of in future financial periods once construction is complete; in line with the agreement with Ofwat this will include complete and partial disposal of certain assets acquired, this cost will be included as part of the asset to be depreciated when the asset is brought into use.

In February 2025, the TTT was connected to the Group's wastewater network. The handover of the tunnel from BTL to the Group to maintain and operate is expected during 2025/26, a provisional handover date has been communicated, however, this is conditional on the completion of specified testing. In addition, TWUL will be transferred at handover supporting equipment, metal work and access covers. Handover will be followed by a period of up to 36 months of system acceptance testing.

Material accounting policy information (continued)

Revenue recognition

The core principle of IFRS 15 Revenue from Contracts with Customers requires an entity to recognise revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to in exchange for transferring those goods or services to the customer. The Group has a variety of customers, including household customers (directly billed or indirectly billed by other Water Only Companies (WOCs)) and non-household customers (retailers and New Appointments and Variations (NAVs)).

The transaction price is calculated and allocated based on the guidance set out in our Charges Scheme, published annually to our customers, which communicates the cost to the customer of using our services. For measured customers, this is primarily based on metered or estimated usage multiplied by a volumetric tariff, in addition to a fixed charge. For most unmeasured customers this is a fixed charge based on the rateable value of their home.

Revenue is recognised over time as the performance obligations to the customer are satisfied. Consideration received in advance of recognising the associated revenue from the customer is recorded within contract liabilities (deferred income). Bad debt on bills raised in the year considered uncollectable at the time of billing based on historical experience is excluded from revenue, as it does not fall within the IFRS 15 criteria. This is so that revenue is recorded at the amount which the Group expects to receive for providing its services to customers.

The Group considers the performance obligation associated with our core revenue to be the continued provision of water and wastewater services to customers.

Revenue for measured customers includes an estimate of the amount of mains water and wastewater charges unbilled at the period end, which are recorded within contract assets (accrued income). The usage is estimated using a defined methodology based upon historical data and assumptions. For unmeasured customers, the amount to be billed is dependent upon the rateable value of the property, as assessed by an independent rating officer. The amount billed, typically in advance of delivery, is recorded within contract liabilities (deferred income) and is apportioned to revenue over the period to which the performance obligation is satisfied. When the Group identifies the occupants, the bill is sent out in the customer's name if known or if not in the name of the occupier. If the Group has not identified an occupant within three months, and the bill remains unpaid, the bill is cancelled and the property is classified as empty.

Where a bill is cancelled and the property is made empty, for measured customers, the revenue cancellation is recognised immediately. Where the property is not empty, the cancelled bill will be replaced with an unbilled accrual. For unmeasured customers, the amount cancelled reduces contract liabilities (deferred income). Upon rebilling, for measured customers, the billed value is recognised immediately, and, for unmeasured customers, the amount is recorded in contract liabilities (deferred income) and follows the apportionment stated in the paragraph above.

Revenue includes amounts that the Company billed to wastewater customers in respect of construction costs for the Thames Tideway Tunnel. This is described in the previous 'BTL arrangement' section.

Refer to page 68 for significant accounting estimates and judgements concerning revenue recognition.

Other operating income

Service connections

The Group considers the combination of activities comprising a service connection to represent a distinct performance obligation to the customer. The service connections charge levied includes the cost of excavating, connecting and reinstating (if needed) the new supply, including the installation of a stop valve, boundary box and external water meter, as well as any associated pipework between the connection and the boundary box. This income is recognised within other operating income at the point in time that the service is complete, as no continuing obligation remains once the connection has been made. Up to that point, deferred service connections income is recorded within contract liabilities (deferred income). Typically amounts received will be fully recognised within a year following receipt.

Requisitions and diversions

Requisitions and diversions income is recognised over time in other operating income using the input method by estimating complete satisfaction of the performance obligation and applying this to the transaction price in the contract with the customer. The estimated progress is based upon the costs incurred for the performance obligation. Deferred requisitions and diversions income is recorded within contract liabilities (deferred income). These income streams encompass a wide variety of schemes, from those with short durations that would be fully recognised by the end of the year following receipt to large multi-phase developments for which income could be recognised over the course of several years.

Infrastructure charges

Infrastructure charges (which meet the extra demands that new connections put on existing water mains, sewers and other network infrastructure) are permitted to be levied on a distinct customer base in accordance with the Charging Rules for New Connections and are separate to water and wastewater charges to customers. Contributions received for Infrastructure charges are initially held within contract liabilities (deferred income). The Group considers that the obligation to invest in the network is highly interrelated with the ongoing and future obligation to provide water and wastewater services, particularly to maintain continuous supplies going forward. The investment in the network from the infrastructure charges enables the Group to continue providing value to the customer through water and wastewater services. The associated asset arises from the investment in the network and therefore the Group recognises infrastructure charges in other operating income on a straight-line basis over the life of the associated asset. Notwithstanding the length of time between when the Group performs its obligations and when the customer pays, infrastructure charges are not adjusted for the time value of money given the trivial monetary impact.

Nil cost adopted assets

Nil cost adopted assets are assets that have been constructed by an accredited third party, which are then adopted by the Group, who assume the obligation to service the end consumer. The consideration received by the Group is the adopted asset itself. Under IFRS 15 the Group is required to record the consideration at fair value, and a depreciated replacement cost is used to measure the fair value of these adopted assets, as there is no

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Material accounting policy information (continued)

Other operating income (continued)

active market for these activities hence no exit price can be used. The consideration received for the nil cost adopted assets is initially held within contract liabilities (deferred income). The Group considers its performance commitment to align with its obligation to service the end customer over the adopted asset's useful economic life, therefore recognises income associated with these nil cost assets in other operating income on a straight-line basis over the life of the associated asset.

Gain or loss on disposal of property, plant and equipment

A gain or loss on disposal of property, plant and equipment is recognised as the difference between the disposal proceeds and the carrying amount of the asset at the date of disposal. This gain or loss is recognised in the Income Statement in other operating income.

Power income

Power income is generated by the sale of internally generated energy to the grid and associated incentives. This income is recognised at the point the energy is generated. The income is measured by multiplying the energy generated by the published rates, and the income will be a function of grid prices and contract stipulations. This income is presented within other operating income.

Interest income

Interest income is accrued on a time basis by reference to the principal outstanding and the effective interest rate (EIR) applicable. The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is presented within finance income in the Income Statement.

Interest expense

Interest expense is accrued on a time basis by reference to the principal outstanding and the effective interest rate (EIR) applicable. The EIR is the rate that exactly discounts the estimated future cash payments over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest expense is presented within finance expense in the Income Statement. Additionally, the finance expense recognised in the Income Statement includes the actual inflation-adjusted interest accrued during the year, plus the actual adjustment in the principal, as adjusted for inflation during the year, thus the carrying amount is equal to the inflation-adjusted amount at the end of the period.

Contract assets

Contract assets are presented in the Statement of Financial Position when the Group's right to consideration is met in advance of billing. An example would be contract assets relating to revenue based on an estimate of the amount of mains water and wastewater charges unbilled at the period end. The Group applies the IFRS 9 simplified approach to measuring expected credit losses on contract assets, which uses a lifetime expected loss allowance. Refer to the 'Trade and other receivables (excluding prepayments)' accounting policy for more information.

Contract liabilities

Contract liabilities are presented in the Statement of Financial Position where a customer has paid an amount of consideration prior to the Group performing the transfer of the related good or service to the customer. An example would be for an unmeasured customer where the amount billed is dependent upon the rateable value of the property. The amount is billed at the start of the financial year and is apportioned to revenue over the period. In addition, included within contract liabilities is deferred revenue in relation to assets adopted by the Group during the year at nil cost that have been constructed under self-lay by third parties (nil cost adopted assets), where the Group has an obligation to service the customer after adopting these assets and receipts in advance from our capital projects, infrastructure charges, diversions and service connections.

Net gains/(losses) on financial instruments

The Group raises debt in a variety of currencies and uses derivative contracts to manage the foreign exchange risk exposure on this debt. The Group also uses derivative contracts to manage interest rate and inflation risk.

Borrowings denominated in foreign currencies at the financial reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Income Statement as net gains/(losses) on financial instruments.

The following are also recognised in the Income Statement as net gains/(losses) on financial instruments:

- movement in fair values of derivatives, which are not designated as hedging instruments;
- in the case of derivatives which are designated as hedging instruments, amounts recycled from cash flow hedge reserve;
- movement in fair value of consent fee derivatives, that were fees applied as part of the court-sanctioned restructuring plan and are linked to interest rate and index-linked swaps; and
- gains or losses arising on debt modification

Net gains/(losses) on financial instruments do not include any interest expense or income. Refer to 'Derivative financial instrument and hedging accounting policy' on page 63 for more details.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised directly within equity, in which case it is recognised within the statement of other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous periods.

Material accounting policy information (continued)

Taxation (continued)

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

Deferred tax

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

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised only to the extent that it is probable that sufficient future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Intangible assets

Separately acquired intangible assets, and internally generated intangible assets once commissioned, are stated at cost, less accumulated amortisation and any provision for impairment. Amortisation is charged to the Income Statement, within operating expenses, on a straight-line basis over the estimated useful economic life of the intangible asset from the date the intangible asset becomes available for use.

The estimated useful economic lives are as follows:

	Years
Software	5-10

Assets in development are not amortised until they are commissioned. Qualifying borrowing costs that have been capitalised within the purchase of intangible assets are included within purchase of intangible assets within investing activities in the Statement of Cash Flows. All other borrowing costs are included as finance expenses within the Income Statement.

In accordance with International Financial Reporting Interpretations Committee (IFRIC) agenda decision, customisation and configuration costs related to Software-as-a-Service (SaaS) are only capitalised if they are assessed as a separable intangible asset under the criteria of IAS 38. Whilst this is not a separate legislative instrument, the Agenda Decision is considered mandatory when complying with IFRS. Customisation costs are analysed through review of purchase order information, documentation held and discussion with digital technical experts so that the correct amount is capitalised.

Property, plant and equipment

Property, plant and equipment (PP&E) comprises network assets (including water mains, sewers, pumped raw water storage reservoirs and sludge pipelines) and non-network assets (including buildings, operational structures, and fixtures and fittings). PP&E is stated at cost (or at deemed cost in the case of those network assets, being the fair value at the date of transition to IFRS) less accumulated depreciation and provision for impairment.

The Group capitalises the directly attributable costs of procuring and constructing PP&E, which include labour and other internal costs incremental to the business. Subsequent costs are capitalised only when it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably.

Within land and buildings are assets acquired in relation to the Thames Tideway Tunnel (TTT) project. These land and buildings were acquired to perform necessary works relating to the construction and integration of the tunnel into our network, an element of the portfolio acquired will be disposed of in due course once required works have been completed in line with the agreement with Ofwat this will include complete and partial disposal of certain assets acquired.

On disposal, accumulated depreciation of the TTT land and buildings crystallises and is capitalised as part of the cost of delivering the TTT under assets under construction, reflecting the known reduction in value of the asset following the expected consumption of the asset by the Group. The element of the land and buildings that will continue to be required for operational purposes post construction (for example, used for accessing the tunnel shafts) will not be disposed of or classified as a cost of delivering the TTT.

Where a qualifying asset takes a substantial period of time to get ready for its intended use, the borrowing costs directly attributable to the acquisition, construction or production of the asset are added to the cost. Borrowing costs that have been capitalised within purchase of PP&E are included within purchase of property, plant and equipment within investing activities in the Statement of Cash Flows. All other borrowing costs are included as finance expenses within the Income Statement.

Where parts of an item of property, plant and equipment have different useful lives, they have been accounted for as separate items of property, plant and equipment.

Where items of PP&E are transferred to the Group from customers or developers, generally in the form of adopted water mains, self-lay sewers or adopted pumping stations, the fair value of the asset transferred is recognised in the Statement of Financial Position. Fair value is determined based on estimated replacement cost. Where the transfer is in exchange for connection to the network and there is no further obligation for ongoing services, the corresponding credit is recognised immediately within other operating income. Where the transfer is considered to be linked to the provision of

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Material accounting policy information (continued)

Property, plant and equipment (continued)

ongoing services, the corresponding credit is recorded in contract liabilities (deferred income) and is released to other operating income over the expected useful economic lives of the associated assets.

PP&E is depreciated to its estimated residual value on a straight-line basis over its estimated useful life, with the exception of freehold land, which is not depreciated. Assets in the course of construction are not depreciated until they are commissioned. The estimated useful economic lives are as follows:

	Years
Network assets:	
Reservoirs	250
Strategic sewer components	200
Wastewater network assets	150
Water network assets	80-100
Raw water tunnels and aqueducts	80
Non-network assets:	
Land and buildings:	
Buildings	15-60
Operational structures	30-100
Plant and equipment:	
Other operational assets	4-40
Fixtures and fittings	5-7
Vehicles	5
Computers	3-5
Fixed and mobile plant	4-40

PP&E that is within scope of IFRS 5 will be classified as non-current assets held for sale. PP&E will subsequently be measured at the lower of the carrying amount and fair value less costs to sell and be presented separately in the Statement of Financial Position. In addition, depreciation on PP&E classified as non-current assets held for sale will not be charged prior to disposal.

Investment property

Investment property comprises one building originally purchased in relation to the Thames Tideway Tunnel (TTT) project to perform necessary works relating to the construction and integration of the tunnel into our network; however, the floor space in this building is being offered to external parties under short-term leases and, therefore, the property meets the definition of investment property.

Investment property is accounted for under the cost method of IAS 40 and is held at cost less accumulated depreciation. Management have deemed that the carrying value of the asset is materially equivalent to the residual value of the asset, which is reviewed annually, resulting in £nil depreciation charge for the year.

The accumulated depreciation has been recorded as a cost within assets under construction in property, plant and equipment, as this cost was necessary in bringing the TTT to a position to operate in the manner management intended.

In line with the treatment of the portfolio of Land and Building purchased of the TTT held in property, plant and equipment, investment property will be disposed of in line with our agreement with Ofwat.

Management reviewed the prior period 2023/24 presentation of accumulated impairment within the investment property note and have changed the accounting policy to reflect this as accumulated depreciation. This change reflects the consumption of the asset by the Group where the investment value of the property was expected to be impacted to allow for the TTT to operate in the manner management intended. This has been restated for the earliest balance reported, please refer to note 11.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each financial reporting date to determine whether there is any indication of impairment. If any such indication exists then the recoverable amount of the asset is estimated, which is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit). Management do not consider there to be any significant judgements relating to the impairment of non-financial assets.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the Income Statement, and those recognised in prior periods are assessed at each financial reporting date for any indications that the loss has decreased or no longer exists.

Material accounting policy information (continued)

Investment in subsidiary undertaking

Investment in subsidiary undertaking is stated at cost, less any provision for impairment. This impairment would be recognised within the Company Income Statement only, under impairment losses. An impairment review is performed on an annual basis in line with IAS 36. Where the Company also has an intercompany loan receivable with the investment company, the expected cash flows on the investment company's net assets will first be used to minimise any impairments on the loan receivable. This may result in the need to recognise an impairment against the investment in that subsidiary.

Non-derivative financial instruments

Trade and other receivables (excluding prepayments)

Trade receivables are measured at their transaction price on initial recognition and subsequently at amortised cost using the effective interest method. Other receivables such as insurance receivables are recognised at fair value on initial recognition.

Included within other receivables are amounts owed to the Group in respect of insurance claims. Insurance receivables and these other receivables are only recognised when the Group is virtually certain that the amount will be recoverable.

IFRS 9 requires an entity to reduce the gross carrying amount of a financial asset when the entity has "no reasonable expectations of recovering" a financial asset. This is recognised as an expense within operating costs and can relate to a financial asset in its entirety or to a portion of it.

Expected credit losses on trade and other receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables, contract assets and insurance claims receivable. The Group's assessment for calculating expected credit losses is explained below.

(i) Directly billed

A bad debt model is used to calculate the provision for directly billed customers. This uses performance in the year to determine the level of provision required. The model takes the closing receivables balance and then deducts the amounts that are expected to be collected or cancelled based on actual performance in the year and age of debt. The amount that remains is expected to not be collected and therefore needs to be covered by a bad debt provision. Debt that is older than five years is fully provided for. The model considers the impact on provisions for billing that is cancelled and not rebilled, and also the collectability of any rebilling and a bad debt provision against unbilled debtors; for instance, debts that have not been billed yet but are part of the metered sales accrual. Using the output of the model together with management's judgement of expected performance in the future, a management judgement is formed regarding the level of provision required for future credit losses. In addition, Management has considered the impact of FY25/26 price rises and has recognised within the provision the expected adverse impact on customers' ability to pay their water and wastewater bills than otherwise would be the case. Refer to page 68 for explanations of judgement applied.

Directly billed write off policy

The bad debt write off policy has remained unchanged and has been consistently applied in the current year. Debt is only written off after all available economic options for collecting the debt have been exhausted and the debt has been deemed to be uncollectable. This may be because the debt is impossible, impractical, inefficient or uneconomic to collect.

Situations where this may arise and where debt may be written off are as follows:

- Where the customer has absconded without paying and strategies to trace their whereabouts and collect outstanding monies have been fully exhausted;
- Where the customer has died without leaving an estate or has left an insufficient estate on which to levy execution;
- Where the value of the debt makes it uneconomic to pursue – all debts of less than £5 are written off;
- Where the age of the debt exceeds the statute of limitations – all debts of greater than six years old are written off, taking into account usual business rules;
- Where county court proceedings and attempts to recover the debt by debt collection agencies (multiple in some cases) have proved unsuccessful, including where the customer does not have any assets or has insufficient assets on which to levy execution; and
- Where the customer has been declared bankrupt, is in liquidation or is subject to insolvency proceedings or a debt relief order, and no dividend has been or is likely to be received.

For debt to be written off, there must be a legitimate charge against the debtor and no reasonable expectation of recovery.

(ii) Water Only Companies

A provision is also made against debts held by Water Only Companies (WOCs) who bill their customers for sewerage services on behalf of the Group. Since detailed information about the debt held on our behalf by the WOCs is limited, we use an average of two data points when calculating the provisions – WOC Statutory Accounts and TW directly billed (DB) provision rates – as taking a single data point is not appropriate as collection rates, write-off and provisioning policies differ from company to company. Where provision rates have been provided by the WOCs, this has been used as it accurately reflects the provision required to cover future write-offs.

The finalised provision is calculated using the output of the model as explained above together with management's judgement as to whether expected performance in the future is expected to differ materially from the recent past. Together, this methodology is used to formulate the provision, in accordance with the requirements of IFRS 9.

Material accounting policy information (continued)

Non-derivative financial instruments (continued)

(iii) BTL

The arrangement with BTL means the Group has included the construction costs of the Thames Tideway Tunnel within its bills to wastewater customers. As cash is collected, these amounts are subsequently paid to BTL. This arrangement gives rise to recognising revenue within the Group and associated bad debt. The bad debt methodology is consistent with directly billed customers.

(iv) Non-household

The Group has assessed the risk of credit losses for non-household retail customers to be low and, therefore, considering the risk is deemed immaterial, no bad debt provision has been made. The Group has assessed specific debts held in respect of non-household retail customers which are subject to query by those customers and has made a revenue loss provision on those debts within accrued income based on historical collections experience or on the latest negotiations related to specific invoice queries.

Trade and other payables (excluding other taxation and social security)

Trade and other payables (excluding other taxation and social security) represent liabilities for goods and services provided to the Group prior to the end of the reporting period that are unpaid. These amounts are usually unsecured and are provided with credit terms of payment.

Trade and other payables are recognised in the Statement of Financial Position when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably. These conditions are satisfied when goods and services have been supplied to the Group. Therefore, payables and accruals must be recognised when goods and services have been received.

Trade payables are deemed paid upon initiating an electronic payment request where such a request cannot be amended or cancelled.

Trade and other payables include amounts owed to BTL that represent revenue collected and due to BTL for the construction of the Thames Tideway Tunnel, which have not yet been paid at the reporting date.

Cash and cash equivalents

Cash and cash equivalents represent cash at bank and in hand, deposits held at call with financial institutions and short-term investments, all of which are held at amortised cost, and money market funds held at fair value through profit or loss. Cash is deemed derecognised upon initiating an electronic payment request where such a request cannot be amended or cancelled.

Included within cash and cash equivalents – money market funds are amounts collected in relation to BTL revenue that have not yet been paid across to BTL at the reporting date.

The Group's accounting policy choice is to derecognise payables on initiation of electronic payments. The Group is required to pre-fund cash to the bank prior to the bank approving BACs payments. Management has assessed that this pre-funding balance meets the definition of cash and cash equivalents, and it is not offset against overdrafts arising from the committed BACs payments as they are not settled on a net basis.

Interest bearing borrowings including those issued to other group companies

Interest bearing borrowings are financial liabilities recognised initially at fair value less attributable transaction costs and subsequently at amortised cost using the effective interest method.

Substantial and non-substantial modification to borrowings

An exchange or modification of interest-bearing borrowing with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of new financial liability, with any costs or fees incurred recognised as part of the gain or loss on the extinguishment. In the case of exchange or modification of interest-bearing borrowings without substantially different terms, the difference between net present value of existing contractual cash flows and modified contractual cash flows, both discounted at the original effective interest rate, is recognised as a modification gain or loss on the Income Statement. The Group's accounting policy is to consider only quantitative factors when determining whether the terms are substantially different.

Prepayments

Prepayments are recorded where the Group has paid for goods or services before delivery of those goods or services. Included within prepayments are amounts paid and payable to BTL which represent a prepayment for the use of the Thames Tideway Tunnel once the tunnel is made available for use. The BTL prepayment will be realised over the useful economic life of the assets recognised on control of the tunnel.

Retirement and other employment benefits

Defined benefit schemes

The Group operates two, independently administered, defined benefit pension schemes, both of which are closed to new employees. One of these schemes, Thames Water Pension Scheme (TWPS), was closed to future accrual as of 31 March 2021 and there is no salary link. Actuarial valuations are carried out as determined by the Trustees, at intervals of not more than three years. The rates of contributions payable and the pension cost are determined on the advice of the actuaries, having regard to the results of these valuations.

The difference between the value of defined benefit pension scheme assets and liabilities is recorded within the Statement of Financial Position as a retirement benefit surplus or deficit. A retirement benefit surplus is only recognised if the assessment contained within the accounting standard IFRIC 14 IAS 19 The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction is met, i.e. that the entity has an unconditional right to reductions in future contributions during the life of the scheme, or to a refund on the wind-up of the pension scheme.

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Material accounting policy information (continued)

Retirement and other employment benefits (continued)

Defined benefit schemes (continued)

Defined benefit pension scheme assets are measured at fair value using the bid price for assets with quoted prices. Defined benefit pension scheme liabilities are measured at the reporting date by an independent actuary using the projected unit credit method and discounted at the current rate of return on high-quality bonds of equivalent term and currency to the liability.

Service costs, representing the cost of employee service in the period, and scheme administration expenses are included within operating expenses in the Income Statement. The net finance cost is calculated by applying the discount rate used for the scheme liabilities to the net (deficit)/surplus.

Changes in the retirement benefit surplus or obligation may arise from:

- differences between the return on scheme assets and interest included in the Income Statement;
- actuarial gains and losses from experience adjustments; or
- changes in demographic or financial assumptions.

Such changes are classified as re-measurements and are charged or credited to equity and recorded within the statement of other comprehensive income in the period in which they arise.

The Trust Deed for the Thames Water Mirror Image Scheme (TWMIPS) provides the Group with an unconditional right to a refund of surplus assets assuming the full settlement of plan liabilities in the event of a plan wind-up. Furthermore, in the ordinary course of business, the Trustee can only force a wind-up once all benefits have been distributed, at which point any surplus would be taken by the Group. Based on these rights, any net surplus in the scheme is recognised in full. Therefore, the Group considers that, under IFRIC 14, it is appropriate to recognise the net surplus in TWMIPS.

Defined contribution schemes

The Group operates a defined contribution (DC) pension scheme for employees. From 1 April 2011, the Group has offered DC pension schemes as the only schemes to which new employees of the Group are eligible. The assets of the DC pension schemes are held separately from those of the Group and obligations for contributions to the scheme are recognised as an expense in the Income Statement in the periods during which they fall due.

The Group also operates two closed defined contribution pension schemes. The Group has no further payment obligations; however, defined funds for former employees are held within these schemes.

Long Term Incentive Plan (LTIP), Performance Related Pay Plan (PRPP) and other bonuses

PRPP

Performance Related Pay Plan bonus payments are accrued in the period based on draft performance outcomes against bonus targets set and are subsequently assessed against final payout values approved by the Remuneration Committee. Under the PRPP established during the FY24 financial year, 60% (Base Award) of the total eligible bonus amounts at Director level are paid in the following financial year, with 40% (Deferred Award) deferred and paid 27 months after the end of the financial year the award relates to. Any payment remains subject to the absolute discretion of the Remuneration Committee. This includes reducing (or forfeiting) any earned Base Award if overall performance is not satisfactory. Receipt of any deferred payments is dependent on continued employment at the date of payment except where an Executive Director has been recognised as a 'good leaver'.

For the FY24 agreed final payout, 60% was paid in July 2024 with the remaining 40% being deferred in line with the plan and will be paid 27 months after the end of the financial year it refers to. The deferred award is subject to a multiplier of 0.7x-1.25x dependant on performance over the deferral period.

LTIP

As a result of the introduction of the Performance Related Pay Plan in FY24, the LTIP for the period 2022-2025 was not granted and the 2021-2024 LTIP was withdrawn. However, as part of the move to PRPP, transition arrangements were put in place. The transition to the PRPP is smoothed by providing payments aligned to the previous LTIP structure. Payments equivalent to LTIP being awarded at 50% of maximum have and will be made. For the 2021-2024 period, the award was pro-rated to 1/3rd and, for the 2022-2025 period, to 2/3rd. For the 2021-2024 plan, the award was made in July 2024 and, for 2022-2025 plan, it will be made via ESCROW in July 2025.

Bonus

Any other bonuses not related to performance are included within other benefits.

Provisions for liabilities and charges

Provisions are recognised under IAS 37 Provisions, Contingent Liabilities and Contingent Assets when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount can be reliably estimated.

Provisions for insured liabilities arise from insurance claims from third parties received by the Group and are recognised or released by assessing their adequacy using current estimates of future cash flows under insurance contracts. Where we have insurance cover for these claims, we recognise a receivable for the reimbursement value from third-party insurance companies net of retentions. Where the timing for the insurance claims is uncertain, both the liability and the receivable will be recognised as non-current; otherwise, if claims are assessed to be within the next 12 months, they will be recognised as current.

Provisions for environmental matters, regulatory matters and legal cases require estimates to be made regarding the amount for which the Group is liable. These estimates are made having considered legal counsel, experts' independence evaluation, available facts of the matter including the size

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Material accounting policy information (continued)

Provisions for liabilities and charges (continued)

of the claim/maximum liability, identification of other potentially responsible entities and their obligation to contribute, and prior experience. The amount provided may change in the future as additional information becomes available as a result of new developments. In such circumstances, the provision will be adjusted in the future period when the new information becomes available.

Provisions are discounted to present value using a pre-tax discount rate that reflects the risks specific to the liability, where the effect is material. Provisions booked and released in the period are recognised through operating expenses.

Where a matter results in a possible but not probable outflow of resources or where a provision cannot be reliably estimated, a contingent liability is disclosed within our accounts. This requires significant judgement and relies upon guidance from legal counsel and other experts familiar with the matter to inform the accounting judgement made.

Outcome delivery incentives

The Asset Management Plan (AMP) is the five-year period covered by a water company's business plan. The current period 1 April 2020 to 31 March 2025 is known as AMP7 and the prior period 1 April 2015 to 31 March 2020 was known as AMP6. AMP8 started on 1 April 2025 and covers the five-year period to 31 March 2030. For AMP8, Ofwat has introduced a new set of regulatory targets that Thames Water's performance will be assessed against, which include the introduction of price control deliverables (PCDs).

The price review process is undertaken by Ofwat in which it determines the amount of revenue that can be earned from customer bills for delivering an agreed level of service. In December 2024, Ofwat provided its Final Determination for AMP8. The Group has asked Ofwat to refer its Final Determination to the Competition and Markets Authority (CMA) for a re-determination. Following constructive discussions with Ofwat, Ofwat agreed on 18 March 2025 to defer making the CMA reference for a period of up to 18 weeks until 21 July 2025, while ongoing conversations seek a market-led solution to recapitalisation, without the need for a CMA reference. On 18 July 2025, TWUL announced that Ofwat had agreed a further 3 month deferral to 22 October 2025.

In AMP7, outcome delivery incentives (ODIs) set rewards for providing a service which exceeds the level committed and the Group may incur penalties for delivering a lower level of service. These rewards and penalties are in the form of revenue adjustments or Regulatory Capital Value (RCV) adjustments. The Group adjusts future tariffs to reflect such amounts in response to the change in amount of revenues that the Group is entitled to earn over the AMP period. The ability to benefit from such increases or suffer from decreases is linked to the provision of future services as well as future performance over the rate-setting period and, therefore, is not an asset or liability (right or obligation) at the balance sheet date.

The majority of our AMP7 performance commitments have financial ODIs and are subject to either an in-period or an end-of-AMP revenue adjustment. For performance commitments with an in-period adjustment, the eligible outperformance or underperformance payment will be assessed during the annual reconciliation process and applied to the revenue allowance with a two-year lag. For performance commitments with an end-of-AMP adjustment, the eligible payment will be assessed at the next price review and applied to the revenue allowance for the next price review period.

Derivative financial instruments and hedging

Derivatives are used to manage exposure to movements in interest rates, foreign exchange rates and inflation. Derivatives are measured at fair value at each financial reporting date, using the methodology described in note 18.

Derivative financial instruments not designated as hedging instruments

Initially, recognition is at fair value, with transaction costs being taken to the Income Statement. Gains or losses on re-measurement to fair value are recognised immediately in the Income Statement within "net gains/(losses) on financial instruments". Interest relating to derivative instruments are recognised in the Income Statement within "Finance Income" or "Finance Expense" as applicable.

Derivative financial instruments designated as hedging instruments

The Group uses derivative financial instruments, such as interest rate swaps to hedge its interest rate risks. The group historically designated a subset of interest rate swaps in hedge relationships to hedge the interest rate risk arising on borrowings. All those hedges have now ended and there are no accumulated gains and losses in the cash flow hedge reserve at 31 March 2025.

There are currently no active hedge accounting relationships.

Cash flow hedges

The effective part of any gain or loss on the derivative financial instrument designated as a cash flow hedge is recognised directly in the cash flow hedge reserve. Any ineffective portion of the hedge is recognised immediately in the Income Statement as net gains/(losses) on financial instruments. The amounts recognised on the cash flow hedge reserve are recycled to the Income Statement as phased release over the relevant hedging period and where the related debt has been issued and has not matured.

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in the cash flow hedge reserve within equity and is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the Income Statement immediately as net gains/(losses) on financial instruments.

Financial assets and financial liabilities

Financial liabilities are derecognised upon initiating an electronic payment request where such a request cannot be amended or cancelled.

Financial assets are recognised and derecognised in the Group's Statement of Financial Position on the settlement date when the Group becomes or ceases to be a party to the contractual provisions of the instrument.

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Material accounting policy information (continued)

Derivative financial instruments and hedging (continued)

Offsetting financial instruments

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

Power prices forward contracts

Contracts are entered into to buy future power for a predetermined price. The power is for the Group's own use and the contract is not settled in cash and as such falls outside the scope of IFRS 9.

Financial guarantees

Financial guarantee contracts

The Group is party to a number of financial guarantee contracts for the purposes of its principal activities. These arrangements include:

- the Whole Business Securitisation (WBS), where the Company guarantees the obligations of TWUF and TWUL; and TWUF and TWUL guarantee the obligations of each other
- TWUL and the Company guarantee the borrowings of TWUL's subsidiary Thames Water Super Senior Issuer plc (TWSSI)

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

On adoption of IFRS 17, management concluded that the fair value of financial guarantee contracts was immaterial. The existence of the guarantee arrangements has no material impact on the financial statements. This is due to the fact that TWUHL has no liquid assets and would have to liquidate TWUL in order to settle any default on TWUL or TWUF external debts or to receive a cash dividend from TWUL to settle the obligation to the creditors. Neither are possible given the restriction on dividend payments out of TWL and the complexities of the wider restructuring exercise underway.

On 10 December 2024, a Deed of Contribution was signed, which makes the Company liable for half of TWUF's and TWUL's payments due to senior creditors directly, rather than as guarantor, if there is written demand by TWUF or TWUL. Its purpose was to enable the Company to be the main party in the court-sanctioned restructuring plan and the arrangement remains in place until the conditions precedent for the court-sanctioned restructuring plan is met.

Management's assessment is that the deed does not meet the definition of a guarantee, and because there was no written demand for payment, no obligations arise under which a financial asset and corresponding liability would need to be recognised by the respective entities on 31 March 2025. However, the nature of the contract gives rise to a contingent liability for the Company, because there is a possibility there could be a written demand as long as the deed remains in place. Management believes the possibility that a demand in relation to any payments which have already occurred is remote, which is supported by letters of comfort received from the TWUL and TWUF respectively confirming they do not intend to make such a demand, and that there is no present intention to make a demand for future payments.

Leases

Recognition of leases

As a lessee

The Group's leasing activities consist of rentals payable for office properties and other land and buildings. Other rentals are short term or of low value. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components, the Group accounts for each lease component separately from the non-lease components. The Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

Right-of-use asset

Right-of-use assets are recognised at cost comprising the following components:

- the amount of the initial measurement of lease liability;
- lease payments made less lease incentives received before the commencement date;
- initial direct costs; and
- restoration costs.

The right-of-use asset is depreciated over the lease term on a straight-line basis.

Lease liability

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Material accounting policy information (continued)

Leases (continued)

The lease payment is discounted using the incremental borrowing rate (IBR). The IBR is the rate of interest that the Group would have to pay to borrow the funds necessary to obtain the right-of-use asset in a similar economic environment at the date of lease inception.

The lease payment is allocated between the liability and the finance cost. The finance cost is recognised in the Income Statement within 'Finance expense' so as to produce a constant periodic rate of interest over the remaining balance of the liability for each period.

Lease payments represent rentals payable by the Group for certain office properties. Where the Group has the ability and intent to exit a property lease prior to the term end date and it is reasonably certain that this option will be exercised, we have only included lease payments up to the assumed lease exit date as the rent payable is not contingent in nature; however, the Group has the ability to agree changes to the arrangement with the lessor if all parties agree.

Where there has been an extension option or early termination, the lease liability has been calculated based on the revised IBR at the time of the modification. Any gains or losses on modifications are recognised in the Income Statement within operating expenses.

The Group is subject to a loan covenant under which lease liabilities are classified as unsecured debt, the level of which cannot exceed a specified ratio of 0.8% as a percentage of RCV. However, leases that would have been identified as operating leases prior to the IFRS 16 transition (1 April 2020) do not contribute towards the specified ratio provided that the aggregate amount of financial indebtedness does not exceed a higher specified ratio of 1% during the stable platform period, which commenced on 25 February 2025 and will apply until the next senior debt maturity date (currently 22 March 2027). Prior to this, the higher specified ratio was 2% and will revert to this following the next senior maturity date.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets (£5,000) and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

The Group has one material lease for which it is a lessor, which relates to the acquisition of a long leasehold of an office building, Camelford House. The primary purpose of acquiring the building was to provide access to a construction site as part of the construction of the Thames Tideway Tunnel. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of other operating income.

Exceptional items

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

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

Exceptional items recognised in the financial statements in the current year relate to restructuring, transformation expenditure and provisions raised for Ofwat investigations. The Group continues to recognise exceptional items related to its turnaround and longer term transformation and the process of raising equity and managing our creditors due to financial resilience challenges faced by the business, and these are expected to continue into FY26. These costs are deemed significant and outside our ordinary course of business and therefore are considered to be exceptional by value and by nature

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 Group 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 transactions with LIBOR references have not yet transitioned, and this is expected to be completed by year ended 31 March 2026.

Refer to the 'IBOR reform' section included in note 18: Fair value of financial instruments on page 109 for details of all of the financial instruments that the Group holds at 31 March 2025 that contain references to GBP LIBOR but that have not yet transitioned to SONIA or an alternative interest rate benchmark.

Material accounting policy information (continued)

New standards and amendments

The Group has assessed the impact of the following new and amended standards in the preparation of these financial statements:

Amendments to IAS 1

The Group has applied amendments to IAS 1 - classification of liabilities as current or non-current and non-current liabilities with covenants. As a result of the adoption of the amendments to IAS 1, the Group has changed its accounting policy for the classification of borrowings.

"Borrowings are classified as current liabilities unless at the end of the reporting period, the Group has a right to defer settlement of the liability for at least 12 months after the reporting period."

Refer to pages 75 to 76 for management's accounting judgement relating to current and non-current classification of borrowings and further information on the impact of IAS 1 amendments.

Amendments to IFRS 16 Leases

Amendments have been made to IFRS 16 which add certain subsequent measurement requirements for sale and leaseback transactions, with effect from 1 January 2024. There were no changes required on adoption for the year ended 31 March 2025.

Amendments to IAS 7 Statement of Cash Flows

The International Accounting Standards Board (IASB) has published amendments to IAS 7 to provide additional disclosures about its supplier finance arrangements. The amendments are effective for annual periods beginning on or after 1 January 2024.

There is no impact to the financial statements for the year ended 31 March 2025.

Future standards and amendments

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

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 Presentation and Disclosure in Financial Statements, which replaces IAS 1 Presentation of Financial Statements, sets out a new presentation requirement for the statement of profit or loss, and provides new definitions and disclosure related to non-IFRS performance measures. This standard is mandatory for annual reporting periods beginning on or after 1 January 2027. The Group will adopt IFRS 18 as at 1 April 2027 and apply the new rules retrospectively.

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

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

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

Management have considered the impact of this amendment, which will be effective for the next reporting period. Management's current accounting policy is to de-recognise payables on payment initiation rather than settlement and will therefore be impacted by the changes. Management will seek to analyse the time at which the exception criteria for de-recognising earlier than settlement will be met for each type of payment method, monitor cut-off and explore options for system changes to ensure compliance with the amendments.

Alternative performance measures

In the reporting of financial information, the Directors have adopted various alternative performance measures (APMs). These measures are not defined by IFRS and therefore may not be directly comparable with other companies' APMs, including those in the Group's industry. These APMs are not intended to be a substitute for, or superior to, IFRS measurements. The Directors and management use APMs to provide additional useful information on the performance and position of the Group, and to enhance the comparability of information between reporting periods.

Capital expenditure (capex)

Management review capex, which is the expenditure to acquire or upgrade tangible and intangible assets such as property, pipes, treatment works and software. The capex measure equates to intangible and tangible asset additions in the financial year, including capitalised borrowing costs (see notes 9 and 10 respectively).

Net debt

Net debt is presented in note 18 on both a statutory (in line with IFRS) and covenant basis. The covenant basis of net debt is the measure used when assessing the TWUHL Group's gearing (see below) against the level stipulated in the Whole Business Securitisation covenants. Net debt on a statutory basis consists of borrowings (including lease liabilities recorded under IFRS 16) less cash. Net debt on a covenant basis consists of borrowings less cash, excluding amounts owed to other Group companies for which there is no related external debt, accrued interest, unamortised IFRS 9 transition costs, unamortised debt issuance costs and discounts, and including certain derivative financial liabilities as explained in note 18.

Material accounting policy information (continued)

Alternative performance measures

Net debt (continued)

TWUL must report on a covenant metric under which lease liabilities are classified as unsecured debt. Refer to the lease liability accounting policy, on page 65, for more information. Under the court-sanctioned restructuring plan, the financial covenant ratios have been temporarily suspended until the end 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) in order to facilitate a subsequent recapitalisation transaction.

Regulatory Capital Value (RCV)

The RCV has been developed for regulatory purposes by Ofwat and is one of the critical components for setting our customers' bills. When assessing the revenues that the Group needs, Ofwat considers the return on capital invested in the business, and the RCV is the capital base used in this assessment. There is no equivalent statutory measure.

Gearing

Gearing is the percentage of the Group's covenant net debt to RCV and the covenant ratio must be reported for the Group's financing arrangements with its lenders, although testing of the covenant is suspended during the stable platform period. There is no equivalent statutory measure.

Post Maintenance Interest Cover Ratio (PMICR)

PMICR measures the amount of underlying cash generated by the operating activities of TWUL, adjusted for RCV depreciation, relating to the interest paid on the Group's debt. This ratio, which must be reported to lenders, and in modified forms, is also used by rating agencies as part of their analysis when determining credit ratings. There is no equivalent statutory measure. Under the court-sanctioned restructuring plan, the financial covenant ratios have been temporarily suspended until the end of the stable platform period in order to facilitate a subsequent recapitalisation transaction.

Credit rating

TWUL is required to maintain an investment grade credit rating in accordance with our licence of appointment as a water and wastewater service provider. An investment grade rating equates to BBB or higher from S&P and Baa3 or higher from Moody's. The current ratings are below the required level, and Ofwat has accepted undertakings from TWUL in lieu of enforcement action.

The assessment by these two agencies provides an independent view of the Group's performance and future prospects. There is no equivalent statutory measure.

EBITDA

Earnings before interest, taxation, depreciation and amortisation (EBITDA) is a key performance metric used by management. Underlying EBITDA excludes impairment in fixed and intangible assets, expected credit losses on intercompany loan and exceptional items. EBITDA has been reconciled to statutory profit before tax in Note 1: Segmental analysis.

K-factor

K-factor is the adjustment factor, specific to each regulated water company in the UK, which is determined by Ofwat and used when determining the allowed revenue limits that a regulated water company can recover from its customers. There is no equivalent statutory measure.

Significant accounting judgements and key sources of estimation uncertainty

The preparation of annual 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. The actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty for the year ended 31 March 2025 are contained in the sections below:

Revenue recognition

Accounting judgement – revenue recognition

Water and wastewater services

The Group bills customers in accordance with its entitlement to receive revenue in line with the limits established by the periodic regulatory review processes. Revenue is recognised when performance obligations are met and when collection of the resulting receivable is probable. Determination of the probability of collection, and hence the fair value of revenue recognised during the year, is judgemental.

Management considers historical trends in determining an adjustment to revenue to reflect instances where collection is not probable at the point of delivery. This has resulted in a decrease in underlying revenue for the current year of £42.5 million (2024: £49.1 million), with a corresponding decrease in receivables as shown in note 14.

Connections, requisitions and diversions

Management consider these types of income streams within other operating income to be within the scope of IFRS 15, since a contract (as defined in the standard) exists with the developer or other third party.

The performance obligation is to install/extend the network to a property development (or to divert the network). This is a service since the control of the assets concerned is not transferred to the developer. In the case of connections, revenue is recognised at the point in time of completion. For diversions and requisitions, revenue is recognised over the period of service. The amount recognised is the transaction price multiplied by the percentage of completion, since an asset is created with no alternative use and the Group will have a present right to payment for work performed to date. The charges are an individual performance obligation with their own contracts and therefore separate from the ongoing performance obligation to supply the occupants of newly connected properties. Therefore, no deferral of connections/requisitions charges are made beyond the completion of the service to the developer.

Infrastructure charges

Infrastructure charges are fees charged for new connections to the network. This income earned enables us to invest in the network, to continue to fulfil our obligation to provide water and wastewater services to our customers. Management considers that the obligation to invest in the network is highly interrelated with the ongoing and future obligation to provide water and wastewater services.

As a result of this obligation and long-term investment in our network, we deem that the income earned from infrastructure charges should be recognised over time rather than upfront.

Accounting judgement and estimation – provision for expected credit losses

The directly billed model uses historical performance to determine the collectability of the debtors in the future. The level of uncollectable debt is determined based on performance in the year with the assumption that performance will repeat in future years. The model takes the closing household debtors and then deducts the amount that will be collected or cancelled based on historical performance. The amount that remains is an estimate of the amount that will not be collected and will form the bad debt provision. Using 2024/25 performance means that the most up-to-date information is used in determining the level of provision required. An adjustment was made in the model to remove any performance that we assessed will not repeat in the future.

The actual level of receivables collected may differ from the estimated level of recovery that could affect operating results positively or negatively. The bad debt provision at 31 March 2025 was £177.1 million (2024: £154.7 million). The increase was due to an increase in the directly billed and rebilled recoverability provisions and rebilled revenue provisions offset by a reduction in the WOC provision. The provision includes an additional £10.0 million that was booked for the impact of customers who may experience financial difficulty due to the price increase in 2025/26.

We have performed a sensitivity analysis on the main components of the directly billed and WOC bad debt models. The main component of the bad debt model for the directly billed customers is based on cash collection performance in the year to determine the level of the provision required. For WOCs, the provision applied is based on the average of the WOC's own provision rates per their statutory accounts, and the provision rates applied to Thames Water's directly billed customers. A decrease or increase of 2.0 percentage points to the collection rates is deemed a plausible sensitivity to apply given that the movement in cash collections at this rate would represent the largest variance in cash collections observed within a five-year timescale, including the years impacted by Covid-19 and the cost-of-living crisis. The sensitivity analysis is summarised below.

Directly billed

Scenario	£ m	Outcome
Directly billed cash collection rates increase by 2.0 percentage points	(7.1)	Reduction in charge
Directly billed cash collection rates reduce by 2.0 percentage points	7.1	Increase in charge

WOCs

Scenario	£m	Outcome
Reduction in WOC collection rates by 2.0 percentage points	1.8	Increase in charge
Increase in WOC collection rates by 2.0 percentage points	(1.8)	Reduction in charge

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

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

Property, plant and equipment and intangible assets

Accounting judgement – capitalisation of costs

The Group's activities involve significant investment in construction and engineering projects, and assessing the classification of these costs between capital expenditure and operating expenditure requires management to make judgements. The Group capitalises expenditure relating to water and wastewater infrastructure where such expenditure enhances assets or increases the capacity of the network. Maintenance expenditure is taken to the Income Statement in the period in which it is incurred. Differentiating between enhancement and maintenance works is subjective, particularly in the instances where a single project may include a combination of both types of activities.

Property, plant and equipment additions for the year ended 31 March 2025 were £2,180.8 million (2024: £2,038.9 million). Intangibles additions for the year ended 31 March 2025 were £44.3 million (2024: £44.8 million). Both figures include own works capitalised and capitalised borrowing costs.

Management capitalises these borrowing costs which were incurred for significant projects that meet certain criteria, and judgement is required to identify which projects qualify for this. The capitalised borrowing costs for both property, plant and equipment and intangible assets for the year ended 31 March 2025 were £187.1 million (2024: £159.4 million).

Accounting estimate – depreciation and amortisation

Calculation of the depreciation and amortisation charges requires management to make estimates regarding the useful economic lives (UELs) of the assets. These estimates are based on the Group's experience of similar assets and engineering data. Where management identifies that actual UELs materially differ from the estimate used to calculate the charge, that charge will be adjusted in the period that the difference occurred and future periods.

An assessment of the impact of climate change on accounting estimates was performed. Initiatives assessed include use of electric vehicles (and related infrastructure), producing renewable energy (biomethane) from wastewater for injection into the grid and use in powering our assets, generation of solar power and improved energy efficiency in operational processes. Procurement and construction of these investments will happen in future reporting periods and will replace assets that have reached the end of their useful lives. No impairment charges or changes in UELs were identified.

These initiatives formed part of our delivery plan to reach net zero carbon by 2030 however, we are reviewing our route map to achieve net zero to fully understand the challenges and opportunities which impact the plan. The total depreciation charge for the year ended 31 March 2025 was £703.1 million (2024: £655.6 million) and the total amortisation charge for the year was £70.8 million (2024: £71.2 million). As the Group makes significant investment in property, plant and equipment and intangible assets, the differences between the estimated and actual UELs could increase or decrease the charge to the Income Statement. Sensitivity analysis has been performed on the useful lives, which can be summarised below:

Scenario	£m	Outcome for the year ended 31 March 2025
5-year increase in average remaining useful life	(95.9)	Decrease in total depreciation and amortisation charge in the year
5-year decrease in average remaining useful life	128.0	Increase in total depreciation and amortisation charge in the year

Accounting estimate – own works capitalised

Own works capitalised for the year ended 31 March 2025 of £291.6 million (2024: £302.9 million) includes employee time and other expenses incurred by central functions on capital programmes and consequently management judgement is applied concerning whether those costs represent costs related to capital programmes, following which management then apply a management estimate by calculating the capitalisation rate used. These amounts will be depreciated in line with the underlying assets they are allocated to as these assets are commissioned.

The estimation applied is disaggregated at a cost centre level with no specific assumption being considered to be individually significant. However, given the long depreciation period of our asset base, as articulated in our accounting policies, meaning that these costs will accumulate on our balance sheet over time, we consider that the combination of individual estimates, in aggregate, is significant.

A decrease or increase of 5.0% of the total value of capitalised overheads (own works capitalised) is deemed a plausible sensitivity to apply when considering the level of variability which could be seen within any year given the scale of change we see in our capital programme. The sensitivity analysis is summarised below:

Scenario	£m	Outcome for the year ended 31 March 2025
Increased capitalisation value of overheads by 5.0%	15.0	Increased capital expenditure (and reduced operational expenditure)
Reduced capitalisation value of overheads by 5.0%	(15.0)	Reduced capital expenditure (and increased operational expenditure)

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

Provisions for other liabilities and charges

Accounting judgement – recognition of environmental, regulatory and legal provisions

A provision is recognised when it is probable that the Group has an obligation for which a reliable estimate can be made of the amount of the obligation. The Group is subject to commercial, regulatory and legal claims that are related to the day-to-day operation of its business. These include contractual, employment and environmental matters which are defended and managed in the ordinary course of business. Assessing the outcome of uncertain commercial and legal cases requires judgement to be made regarding the extent to which any claim against the Group is likely to be successful. On a case-by-case basis, management evaluates the likelihood of adverse verdicts or outcomes to these matters, how they will materialise in the financial statements (certain penalties can and have been settled through future revenue adjustments, adjustments to Regulatory Capital Value or investment commitments to deliver better outcomes to stakeholders) and makes a judgement about whether or not a provision should be recognised. Legal counsel provides input into this assessment.

Environmental, legal and other regulatory provisions, which are detailed in note 20, total £260.9 million as at the year ended 31 March 2025 (2024: £94.5 million).

Accounting estimate – valuation of provisions

Assessing the financial outcome of uncertain commercial and legal cases requires estimates to be made regarding the amount by which the Group is liable. These estimates are made after considering available information including notifications, settlements, estimates performed by independent parties and legal counsel, available facts, identification of other potentially responsible entities and their ability to contribute, and prior experience. The amount provided may change in the future as additional information becomes available as a result of new developments. In such circumstances, the provision will be adjusted in the future period when the new information becomes available.

Provisions for liabilities and charges as at 31 March 2025 totalled £497.4 million (2024: £274.7 million) with the key drivers of this increase being provisions raised for Ofwat regulatory investigations and the environmental incidents provision. The Ofwat provisions are based on the Ofwat public determination. All other provisions are based on a range of possible outcomes of what the amount payable will be and, as a result of the uncertainty of the amounts, there is a risk that the final outcome of commercial and legal cases could be materially different to amounts provided.

Sensitivity analysis on environmental provision

The value at the higher and lower range of the estimated fine provided by external legal counsel is deemed a plausible sensitivity to apply when considering the level of variability which could be seen within any year given the uncertainty around enforced fines for environmental incidents. For the lower range, consideration has been made around incidents with current enforcement undertakings offered given the possibility around these being accepted and paid in lieu of a fine. The sensitivity analysis is summarised below:

Scenario	£m	Outcome for the year ended 31 March 2025
Increase in provision based on top end of legal estimated ranges for fines on environmental incidents	37.5	Increase in provision
Decrease in provision based on low end of legal estimated ranges for fines on environmental incidents, or where applicable value of submitted enforcement undertakings to regulators being accepted in lieu of fines	(51.1)	Decrease in provision

Retirement benefit obligations

Accounting estimate – actuarial assumptions

The Group operates two defined benefit pension schemes for which full actuarial valuations are carried out as determined by the Trustees at intervals of not more than three years.

The triennial valuation as at 31 March 2022 for the Thames Water Mirror Image Pension Scheme (TWMIPS) was signed off by the scheme actuary, Aon, in March 2024, whilst the valuation for the Thames Water Pension Scheme (TWPS) was signed off by the scheme actuary, Aon, in August 2024. The triennial valuation as at 31 March 2025 for the Thames Water Mirror Image Pension Scheme and Thames Water Pension Scheme is currently ongoing.

The pension liability and net cost recognised under IAS 19 Employee Benefits are assessed using the advice of an actuary appointed by the Group, based on the latest actuarial valuation and assumptions determined by the scheme actuary. These assumptions are based on information supplied to the Group actuary, supplemented by discussions between the Group actuary and management, and are used to estimate the present value of the defined benefit obligations.

The actuarial assumptions used in determining the pension obligations and net costs recognised affect the profit before tax figure in the Income Statement and the net asset figure in the Statement of Financial Position, and together represent a key source of estimation uncertainty. The significant assumptions include:

- the discount rate; and
- mortality rate

Other estimates include inflation (RPI and CPI), salary and pension increases.

The actual rates may materially differ from the assumptions due to changes in economic conditions and differences between the life expectancy of the members of the pension schemes and the wider UK population. These could have a positive or negative impact on the financial statements. The total net retirement benefit obligation for the two schemes as at 31 March 2025 was £86.2 million (2024: £119.1 million), which includes a pension deficit of £112.1 million (2024: £152.1 million) for the TWPS scheme, offset by a pension surplus of £25.9 million (2024: £33.0 million surplus) for the TWMIPS scheme. Refer to note 22 for more information on the key assumptions and sensitivities of the pension schemes.

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

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

Investment held in subsidiary

Accounting judgement and estimation – impairment over investments

IAS 36 requires management to assess the recoverable value of an investment as the higher of its value in use and fair value less costs to sell. In the 31 March 2024 period, management identified indications of impairment of the investment in its subsidiary (Thames Water Utilities Limited) which TWUHL holds an 100% equity interest in. The indicators that were used in managements judgments are the investors decision not to honour the equity support agreement on 28 March 2024 and the credit rating downgrades that followed this decision. Another factor was Ofwat's issuance of the draft determination at the time for which the allowable expenditure was lower than TWUL's PR24 submission. These along with additional factors described within the going concern basis of preparation at the time resulted in the Directors concluding that a value in use assessment would not result in a higher recoverable value and therefore assessed the recoverable value of the investment on the basis of its fair value less costs to sell.

When measuring fair value, management had considered that the fair valuation for a regulated utility is largely driven by its RCV and that trading and transaction prices of regulated utilities are commonly quoted as multiples of RCV. As a result, management considered a range of scenarios using market-based and internally generated valuation assumptions.

Management believed that there was sufficient uncertainty in assessing TWUL's fair value, reflecting the inherent risks associated with the PR24 price control determination, including the risk that OFWAT does not accept TWUL's response to the Draft Determination, contingent liabilities and the financial position of TWUL. It was consequently concluded that fair value of investment in subsidiary was £nil and therefore a full impairment of the investment was recognised in the Company Income Statement in the prior period as an exceptional item as this impairment is not as a result of the ordinary course of business.

In the current period, management has considered current activities, including the Final Determination provided by OFWAT, subsequent credit rating downgrades, TWUL's liquidity position and has concluded that there was not sufficient evidence to reverse any of this impairment and therefore the investment continues to carry a net book value of £nil.

Derivative financial assets and liabilities

Accounting estimates and judgement – 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.

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 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 is due on the first restructuring plan transaction effective date, which is the date when there is no longer an appeal risk on the court-approved restructuring plan. The appeal may not have been concluded prior to a recapitalisation transaction. The second 1.5% instalment is due (with certain exclusions) on the date a recapitalisation transaction completes. The 1% per annum fee accrues from 15 January 2025 and is initially payable on the earlier of the expiry of the stable platform period (which commenced on 25 February 2025 and will apply until the next senior debt maturity date (currently 22 March 2027), or the implementation of a recapitalisation and is then payable semi-annually whilst the 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.

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

Derivative financial assets and liabilities (continued)

Accounting estimates and judgement – valuation of derivatives (continued)

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

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.

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

An adjustment to the Class A credit curve has been estimated in order to determine a super senior credit curve for the valuation of super senior swaps. As at 31 March 2025, an additional 750 basis points differential has been applied for near term maturities, with a 400 basis point differential applied for longer term maturities. This adjustment is a management judgement as to what the overall difference in spread would be which market participants would take into consideration for super senior versus Class A instruments. This 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 instruments.

Recovery rate assumptions to be used in the valuation of derivatives were also considered. At 31 March 2024 and 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, the Class A bond trading levels (70% - 80%) have been used as an indicator of the level of loss which creditors might expect in a near term restructuring. 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. 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:

- £53 million using the same credit spread assumption as described above, meaning a different probability of default is implied
- £115 million if the probability of default implied by the methodology described above is used, meaning a different credit spread assumption has been applied.

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, but these may be subject to a maturities flip back or the transaction may be subject to early repayment. For consent fee derivatives the timing of cash flows is linked to when the ongoing appeal of the court-approved restructuring plan is completed, the timing of when two investment grade credit ratings are achieved and whether break clauses will be exercisable. The cash flows themselves are dependent on the valuation of interest rate and index linked swaps with the relevant counterparty at 15 January 2025 and each anniversary date. Management judgement has been used in estimating the quantum and timing of the cash flows in valuing these transactions. The use of unobservable inputs for every type of derivative means they have all been classified as Level 3.

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

Derivative financial assets and liabilities (continued)

Accounting estimates and judgement – valuation of derivatives (continued)

As at 31 March 2024 the differential between TWUL Group's super senior and Class A credit spread was calculated by reference to corporate bonds with a two notch investment grade credit rating differential, which was appropriate at the time, given that the Group's debt was rated Baa1 (Moody's) and BBB (S&P), i.e. investment grade and so a high correlation would be expected. 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 31 March 2025 all derivatives are classified as level 3 whereas at 31 March 2024 they were level 2. See Note 18 for further details.

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

The 31 March 2025 movement from Level 2 to Level 3 instruments have been split out as follows for the Group. The Company has no derivative instruments.

	Group 2025 £m
For the year ended 31 March	
Level 2 instruments	
Opening balance	(1,347.6)
Transfers from Level 2 to Level 3 at 30 September 2024 ¹	1,266.7
Transfers from Level 2 to Level 3 at 31 March 2025 ¹	64.1
Gains and losses recognised through profit or loss	16.8
Closing balance	-
Level 3 instruments	
Opening balance	-
Transfers from Level 2 to Level 3 at 30 September 2024 ¹	(1,266.7)
Transfers from Level 2 to Level 3 at 31 March 2025 ¹	(64.1)
Gains and losses recognised through profit or loss	(87.4)
Closing balance	(1,418.2)

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

The net total of derivative financial assets and liabilities as at 31 March 2025 was a liability of £1,418.2 million (31 March 2024: a liability of £1,347.6 million) of which £92.5 million was the consent fee derivatives element. The valuation if no credit and any other adjustment is applied is £1,643.6 million net liability (31 March 2024: £1,837.4 million net liability). The credit and any other adjustment is £225.4 million (31 March 2024: £489.8 million). Credit risk sensitivity analysis is included in note 18.

Refer to note 18 for more information on the key assumptions and sensitivities of the financial instruments.

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

During 2019/20, three index-linked swaps with a total notional value of £400 million were restructured. At the restructuring date, the fair value of these instruments, as indicated by their fair value immediately prior to the restructuring, could not be supported by observable inputs alone. In management's view, the reduction in value of £38.0 million at the restructuring date is supported by unobservable factors, including the counterparty's credit, capital, funding and trading charges. This reduction in value that was supported by unobservable inputs does not impact the ongoing valuation methodology of the index-linked swaps. Therefore, such movement was deferred on the Statement of Financial Position in compliance with IFRS 9 and will be recognised in the Income Statement on a straight-line basis over the life of the underlying derivative instrument. In the prior year, the valuation continued to be supported by observable inputs and hence it was appropriate for these to be categorised within level 2 of the fair value hierarchy. Unobservable inputs in the valuation of these swaps at 31 March 2025 mean that they are now categorised at level 3. As at 31 March 2025, £27.3 million (2024: £29.3 million) remained capitalised within derivative financial liabilities and £2.0 million had been recognised in the Income Statement within net gains/(losses) on financial instruments (2024: £2.0 million).

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

Debt modification

Accounting judgement – treatment of fees and measurement of debt

On 25 February 2025, the terms of all the debt were modified such that their maturity was extended by two years, with the potential to revert to their original maturity date if, amongst other requirements, two investment grade credit ratings are achieved. The maturity modifications which have been accounted for as a debt modification apply to external Class A and B debt and all intercompany debt. TWUL issued consent fee debt to consenting creditors and interest rate and index-linked swap counterparties, settling the relevant portion of consent fees on behalf of the TWUF as part of an agreement between the TWUF and TWUL.

Interest rate and index-linked swap counterparties were also granted additional fees by TWUL and TWUF in the form of consent fee derivatives which are integrally linked to interest rate and index-linked swaps, and under certain circumstances swap break clauses are applicable to interest rate and index-linked swaps from 31 December 2028 and 1 April 2030. In addition, lenders consented to the insertion of a new super senior facility, which was part drawn down by the TWUL's new financing subsidiary, TWSSI, post year end and lent to TWUL. The ranking of debt and derivatives was also modified in the restructuring plan.

Note that there is an ongoing appeal of the court-sanctioned restructuring plan which means that the conditions precedent for TWSSI to drawdown on the full £1.5 billion facility have not been met and any drawdowns to date are as a result of waivers granted by creditors. After 31 July 2025, a release condition means that no further drawdowns are permitted by TWUL under its loan facility with TWSSI (with an exception of £126 million approved for August 2025), unless a lock-up agreement is in place supported by 66⅔% of Class A and 66⅔% of super senior lenders. If the appeal of the court-sanctioned restructuring plan were to be successful, the modifications effected under the court-sanctioned restructuring plan would need to be reversed.

Debt, as extended by the court-approved restructuring plan, is presented as non-current in line with the legal maturity dates being beyond 12 months of the reporting date, but it should be noted that there are circumstances in which the maturity dates of some or all of the debt could be brought within 12 months of the reporting date, as set out in further detail in the section below "Amendments to IAS 1".

Under IFRS 9, the terms are considered substantially different if the discounted present value of the cash flows under the new terms, including certain fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. If there is a substantial modification, then it is treated as an extinguishment of the old liability and the recognition of a new one.

In performing the 10% test there was significant judgement applied regarding the treatment of the consent fees paid to creditors who consented to the court-sanctioned restructuring plan and advisor fees. Note that the separate consent fee derivatives were only awarded to swap counterparties and therefore were not taken into account in the consideration for the analysis of debt modification. Advisor fees and swap counterparty consent fees were not included in the 10% test as they were not between the borrower and lender.

For the following reasons, management did not allocate any of the consent fees to the 10% test:

- Consent fees were paid to all lenders that voted in favour of the restructuring plan, including swap counterparties, indicating that the fees were primarily for the insertion of the new super senior facility rather than the modification of existing debt, since the derivatives did not have extended maturity dates.
- Since the consent fees related to both the super senior facility and the extension of the existing debt, Management concluded that they were not directly attributable to either and as a result have recognised the consent fees as an exceptional finance expense.

Under IFRS 9, if there is a non-substantial modification, the debt is not accounted for as an extinguishment; the amortised cost of the liability is recalculated based on the discounted revised estimated future cash flows at the instrument's original effective interest rate, with the resulting difference treated as a gain or loss on modification.

IFRS 9 does not contain guidance on how to determine the cash flows for the 10 percent test if the terms of a debt instrument are modified and the cash flows under the new or original terms of the instruments are not fixed. Judgement has been applied on how to determine the cash flows for the 10% test if the terms of a debt instrument are modified and the cash flows under the new or original terms of the instruments are not fixed. As referenced in the going concern analysis, it is reasonable to assume that TWUL will secure a regulatory settlement which is financeable and investible such that following on from a holistic recapitalisation, sometime in the next few years TWUL Group will regain two investment grade credit ratings. If the debt instruments remain outstanding following the recapitalisation, it is therefore likely that the two-year debt extension will be reversed at the time two investment grade ratings are achieved, meaning the cash flows will revert to their original state.

As a result, management isolated their analysis of the impact of a non-substantial modification to the instruments with a shorter time remaining to maturity, which would be least likely to be outstanding at the time two investment grade ratings are achieved. This group of instruments were mainly fixed or floating rate; since the Group adopts a policy to use current benchmark rates for the periodic re-estimation of future cash flows on variable rate instruments, and for discounting purposes, the gain or loss on modification was quantified as immaterial.

The consent fees referenced above, were settled by TWUL with debt in the form of bonds, loans or fee letters depending on creditors' preferences, in lieu of cash. This debt has a face value of £123.5 million with a zero percent coupon and matures when the next senior debt matures, which is currently 22 March 2027 subject to the maturity flip back or any other early repayment of senior debt. Since the expected maturity date is greater than one year from the issuance date, management assessed that the fee included a significant financing component which will be unwound until the expected payment date. As a result, and in line with IFRS 9, the corresponding debt was initially recognised at its fair value of £105.0 million, which was estimated as 85% of its face value based on its initial trading price.

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

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

Judgement that relates to Bazalgette Tunnel Limited (BTL)

Accounting judgement – principal vs. agent

BTL is the independent licensed utility company appointed by Thames Water to construct the Thames Tideway Tunnel (TTT). The appointment was subsequently approved by Ofwat in August 2015. Under the terms of BTL's licence, BTL will earn and collect revenues by charging the Group for its services. The Group will subsequently charge these amounts to its wastewater customers (based on modifications to TWUL's licence). Judgement has been exercised in assessing whether the Group is acting as principal or agent in its relationship with BTL. Under IFRS 15, an entity must determine whether the nature of its promise is a performance obligation to deliver a good or service itself or to arrange for it to be provided by another party. The Group is deemed to have primary responsibility for providing the 'end-to-end' services relating to the disposal of waste from its wastewater customers, from collection, transportation (through the existing infrastructure and the TTT) to processing in the Group's sewage treatment plants. The Group continues to charge its wastewater customers for the end-to-end waste management service.

Additionally, the Group, as the sole future user of the tunnel, will remain exposed to the risks and rewards associated with the service of the overall sewerage system (which includes the tunnel). These risks include reputational risks. Management therefore considers the Group is operating as principal in the relationship with BTL.

Amendments to IAS 1

Accounting judgement – current / non-current classification of borrowings

In January 2020, the International Accounting Standards Board (IASB) issued amendments to IAS 1 Classification of Liabilities as Current or Non-current (the 2020 Amendments). In October 2022, the IASB issued further amendments to IAS 1 Non-current liabilities with Covenants (the 2022 Amendments). These amendments have been applied retrospectively at the date of transition (1 April 2024). The IAS 1 amendments changed the criteria for current liabilities from the position that the right to defer settlement for 12 months be unconditional to, under the changed standard, that the right has to have substance and must exist at the reporting date. Furthermore, the classification of liabilities is unaffected by management's intentions or expectations about whether the Company will exercise its right to defer settlement or will choose to settle early.

In addition, the 2022 IAS 1 amendments also clarify that the covenants of loan arrangements that an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification as current or non-current, even if the covenant is only assessed after the entity's reporting date. We note that these amendments have not impacted the current or prior period.

Management have exercised judgement over the current/non-current classification of borrowings, specifically relating to drawdowns from its revolving credit facilities following the amendments to IAS 1 and, more recently, in relation to the uncertainty over future changes to the debt portfolio under a potential recapitalisation transaction.

Amended IAS 1 now clarifies that the classification of liabilities is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, and the expectation to settle the drawdowns within 12 months (that was factored into the classification assessment at 31 March) can no longer be considered when classifying these liabilities.

In determining the impact from the IAS 1 on assessing the current/non-current classification of drawdowns from the revolving credit facilities at 31 March 2024 (there were none outstanding at 31 March 2025), we have considered the necessary factors that would allow the rollover of a drawdown from a revolving credit facility for at least 12 months. These factors include at the period end:

- there not being an Event of Default or potential Event of Default¹, or an Event of Default or potential Event of Default would result from the proposed rollover;
- there not being a standstill period;
- the period to the final maturity date at the end of the reporting period being at least 12 months; and
- for the Class A Royal Bank of Canada (RBC) facility only, no Trigger Event has occurred and it is continuing pursuant to paragraph 7 (Circumstances Leading to a Special Administration Order) of part 1 (Trigger Events) of schedule 5 (Trigger Events) to the Common Terms Agreement (CTA).

¹ A potential Event of Default is an event which would be (with the expiry of a grace period, the giving of notice or the making of any determination under the finance documents or any combination of them) an Event of Default. Therefore, a potential Event of Default is where the covenant cannot be met, but the grace period has not expired.

As at 31 March 2024, none of these conditions have been met, with the exception of certain revolving credit facilities whose final maturity date was less than 12 months. The RBC facility, which was drawn during the reporting period would be partially repayable if Class A debt or equity proceeds were received by the Group. This potential repayment requirement in the future would not impact the presentation of the facility.

As at 31 March 2024, the Group had drawn £1,430.7 million of revolving credit facilities, all of which were classified as current. As a result of the amendments to IAS 1, £1,280.7 million has been reclassified as non-current, and the remaining £150.0 million remains within current in the comparative figures due to there having been less than 12 months remaining before the final maturity date of the two £75.0 million facilities.

Under the terms of the court-sanctioned restructuring plan, all undrawn facilities were cancelled and revolving credit facilities were converted to term loans on 25 February 2025, when the Master Amendment and Restatement Agreement became effective. Further, all debt including Class A, B and intercompany debt had its maturity dates extended by two years with the potential reversion to the original maturity dates once, amongst other requirements, the Group reinstates investment grade credit ratings from two agencies.

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

Amendments to IAS 1 (continued)

Accounting judgement – current / non-current classification of borrowings (continued)

As mentioned in the debt modification accounting judgement section consent fees were settled by the issuance of consent fee debt, in the form of bonds, loans and fee letters, in lieu of cash. TWUL charged TWUF its portion of the consent fees, which has been recognised in TWUL's income statement, although TWUF charged the same amount to TWUL in connection with the changes to its intercompany loans to TWUL, including the insertion of higher ranking super senior debt issued by TWSSI and guaranteed by the Company and TWUL, and the two year maturity extension of intercompany loans. The maturity date of the consent fee debt is the earliest date on which any senior debt matures, following the restructuring effective date, which is currently 22 March 2027, subject to the maturity flip back if the Group's Class A and Class B debt obtains two investment grade ratings, amongst other requirements.

At 31 March 2025, all debt has been classified as non-current in line with the existing contractual terms. In assessing the current/non-current classification of debt at the 31 March 2025 year end, Management applied judgement in determining whether the below factors would enable the debt to exist for at least 12 months following the reporting date:

- the risk that the existing contractual terms will revert to the previous terms (reversing the two-year maturity extension) as a result of a successful appeal to the Supreme Court;
- liquidity risk due to the Company not being permitted to draw down further super senior funding from TWSSI after 31 July 2025 (with an exception of £126 million approved for August 2025) unless a lock-up agreement is in place supported by 66⅔% of Class A and 66⅔% of super senior lenders could mean the Company becomes unable to pay its debts
- the risk of a SAR (Special Administration Regime) under which debt becomes immediately repayable;
- under a future recapitalisation, there is a possible scenario that all existing debt is extinguished or replaced. However, there is uncertainty around the timing and nature of a potential recapitalisation transaction;
- the potential for maturity dates to revert to their original maturity within the next 12 months if, amongst other things, the debt was rated investment grade by two rating agencies.

None of the above factors had occurred at 31 March 2025 and there is insufficient certainty around whether any of them will occur in the next twelve months to conclude that anything other than the earliest date a demand for repayment can be made, or if later the legal maturity date should be used in the current/non-current classification.

Notes to the consolidated financial statements

1. Segmental analysis

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

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

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

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

Segmental performance

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

Year ended 31 March	Audited 2025 £m	Unaudited* 2024 £m
Management revenue	2,645.1	2,450.2
Management net operating expenses before depreciation and amortisation	(1,479.1)	(1,396.7)
Management other operating income ¹	26.6	52.8
Capital income	123.7	96.1
Management EBITDA	1,316.3	1,202.4
IFRS 16 adjustment ²	7.5	9.0
Statutory reclassification of pension costs ³	(2.9)	(1.9)
Other statutory adjustments ⁴	13.7	(1.5)
Underlying EBITDA	1,334.6	1,208.0
Household BTL gross revenue ⁵	111.2	96.3
Non-household BTL gross revenue ⁵	24.4	20.8
BTL charge for bad and doubtful debt and expenses	(0.5)	(0.5)
Exceptional items – restructuring and transformation ⁶	(97.7)	(43.9)
Exceptional items – Ofwat dividend investigation ⁶	(18.2)	-
Exceptional items – Ofwat wastewater investigation ⁶	(104.0)	-
Total EBITDA	1,249.8	1,280.7
Depreciation of property, plant and equipment	(703.1)	(655.6)
Depreciation of right-of-use assets	(7.8)	(6.7)
Amortisation of intangible assets	(70.8)	(71.2)
Impairment reversal/(impairment) of property, plant and equipment	2.9	(27.0)
Impairment of intangible assets	-	(3.0)
Total statutory operating profit	471.0	517.2
Finance income	186.3	206.3
Finance expense	(886.1)	(885.8)
Exceptional items – finance expense restructuring ⁶	(86.8)	-
Exceptional items – finance expense consent fees ⁷	(105.7)	-
Net (losses)/gains on financial instruments	(148.0)	152.3
Exceptional items – financial instruments swap consent fees ⁷	(92.5)	-
Total statutory loss before tax	(661.8)	(10.0)

¹ Management other operating income includes £6.8 million gain on sale of property, plant and equipment (2024: £22.3 million gain).

² Management numbers recognise the lease expense proportionally over the lease term rather than interest and depreciation as required by IFRS 16, an adjustment is done to account for leases under IFRS 16.

³ Contributions made into the defined benefit pension schemes are recognised on an accruals basis. So that the accounting is in line with IAS 19, any accruals made for contributions are reversed and are recognised on a cash basis for statutory purposes.

⁴ These amounts relate to insurance, provisions and other statutory only adjustments not included in the management numbers.

⁵ The portion of BTL revenue related to our household and non-household customers.

⁶ Exceptional costs reflect a £104.0 million (2024: £nil) provision related to Ofwat's regulatory investigation into our Wastewater Business and operation of sewage treatment work, and a £18.2 million (2024: £nil) provision related to Ofwat's investigation into dividends paid in addition to £184.5 million (2024: £43.9 million) of restructuring and transformation expenditure incurred due to significant restructuring of the business, of which £86.8 million (2024: £nil) is classified in finance expense that relates to debt restructuring costs.

⁷ Exceptional costs of £105.7 million (2024: £nil) was related to the recognition of consent fee debt classified as finance expense, that was issued in lieu of cash to creditors for consenting to the court-approved restructuring plan; and a further £92.5 million (2024: £nil) exceptional items relating to consent fee derivatives that were entered into with interest rate and index-linked swap counterparties for consenting to the court-approved restructuring plan and are classified as derivative financial instruments.

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

1. Segmental analysis (continued)

Revenue – Management to statutory reconciliation

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

Year ended 31 March	Audited 2025 £m	Unaudited* 2024 £m
Management revenue	2,645.1	2,450.2
Household BTL revenue	111.2	96.3
Non-household BTL revenue	24.4	20.8
Statutory reclassification of bad debt from operational expenditure ¹	(42.5)	(49.1)
Total statutory revenue	2,738.2	2,518.2

¹ This relates to amounts billed that are not probable of being recovered and therefore are excluded from IFRS 15 revenue. In the current year, £42.2 million relates to management revenue (2024: £48.8 million) and £0.3 million relates to BTL revenue (2024: £0.3 million).

2. Revenue

Year ended 31 March		Audited 2025			Unaudited* 2024		
	Note	Underlying £m	BTL £m	Total £m	Underlying £m	BTL £m	Total £m
Gross revenue		2,645.1	135.6	2,780.7	2,450.2	117.1	2,567.3
Charge for bad and doubtful debts	14	(42.3)	(0.2)	(42.5)	(48.8)	(0.3)	(49.1)
Total		2,602.8	135.4	2,738.2	2,401.4	116.8	2,518.2

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

We have presented a further disaggregation of our revenue below:

	Audited 2025 £m	Unaudited* 2024 £m
Gross revenue for the year ended 31 March		
<i>Household market</i>		
Water services	935.1	883.1
Wastewater services	1,063.0	954.1
Retail services	129.1	125.2
Total gross revenue from household market	2,127.2	1,962.4
<i>Non-household market</i>		
Water services	254.9	245.7
Wastewater services	221.5	197.8
Retail services	-	1.2
Total gross revenue from non-household market	476.4	444.7
Gross revenue from principal services ¹	2,603.6	2,407.1
Other appointed revenue ²	17.6	20.8
Total appointed revenue	2,621.2	2,427.9
Other non-appointed revenue (excluding amounts billed for the TTT) ³	23.9	22.3
Total gross underlying revenue	2,645.1	2,450.2
Amounts billed for the TTT ⁴	135.6	117.1
Total gross revenue	2,780.7	2,567.3

¹ Gross revenue from principal services relates to appointed revenue, which is revenue generated from the regulated activities of the Company as defined in Condition A of its licence of appointment. These are activities necessary in order for a company to fulfil the function and duties of a water and sewerage undertaker under the Water Industry Act 1991.

² Other appointed revenue is revenue generated from appointed activities but is not governed by the price control. These activities mainly include bulk supplies.

³ Non-appointed revenue is revenue generated from non-appointed activities. These activities include third-party discharges to sewage treatment works and other commercial activities, including property searches and cess treatment (treatment of waste from private receptacles not linked to the network).

⁴ Amounts billed for the TTT include both household and non-household revenue, being derived from 82% household (2024: 82%) and 18% non-household (2024: 18%) activities.

All revenue is derived from activities based in the UK.

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

2. Revenue (continued)

Other operating income

The Group has recognised the following amounts relating to other operating income in the Income Statement since they are separate to our ongoing obligation to provide water and wastewater services to customers:

Year ended 31 March	Audited 2025 £m	Unaudited* 2024 £m
Power income ¹	14.6	13.8
Requisitions and diversions charges ²	90.6	66.0
Service connections charges	21.3	18.9
Amortisation of deferred income recognised on adoption of assets at nil cost	6.6	5.6
Release from deferred income – infrastructure charges	5.9	5.7
Rental income	3.0	7.8
Gain on sale of property, plant and equipment ³	6.8	22.3
Other income ⁴	1.5	8.8
Total	150.3	148.9

¹Power income comprises income from the sale of internally generated electricity.

²Requisitions relate to provisions of new water mains, and diversions relate to the process of altering or removing a water main and ancillaries.

³Gain on sale of property, plant and equipment in the current period includes a £nil gain on a disposal that was in exchange for land (non-cash) (2024: £16.7 million gain).

⁴Other income includes £0.8 million relating to excess payments received from customers in the past and recognised during the current year (2024: £6.6 million).

2.1 Contract assets and liabilities

The Group has recognised the following revenue-related contract assets and liabilities:

As at 31 March	Note	Audited 2025 £m	Unaudited* 2024 £m
Contract assets			
<i>Current</i>			
Accrued revenue for services provided to metered customers		259.8	217.2
Accrued income for other activities ¹		84.4	78.9
Total current contract assets	14	344.2	296.1
Total contract assets		344.2	296.1
Contract liabilities			
<i>Non-current</i>			
Deferred revenue from infrastructure charges		580.4	561.5
Deferred revenue from other activities ²		579.0	477.6
Total non-current contract liabilities	16	1,159.4	1,039.1
<i>Current</i>			
Advance payments received		74.8	71.9
Deferred revenue from infrastructure charges		6.1	5.9
Deferred revenue from other activities ²		88.9	55.6
Total current contract liabilities	16	169.8	133.4
Total contract liabilities		1,329.2	1,172.5

¹Other activities include accrued income from capital projects and the BTL arrangement (discussed on page 56).

²Other activities include deferred revenue for nil cost assets received during the year and receipts in advance from our capital projects.

Notes to the consolidated financial statements (continued)

2. Revenue (continued)

2.2 Revenue recognised in relation to contract liabilities

The following table shows how much revenue and other operating income recognised in the current reporting period relates to brought forward contract liabilities. No amounts were recognised in the current financial year that relate to performance obligations satisfied, or partially satisfied, in previous periods.

Year ended 31 March	Note	Audited 2025 £m	Unaudited* 2024 £m
<i>Revenue recognised that was included in the contract liability balance at the beginning of the period:</i>			
Advance payments received		71.9	73.0
Deferred revenue from infrastructure charges		5.9	5.7
Deferred revenue from other activities		55.6	51.4
Total		133.4	130.1

2.3 Transaction price allocated to wholly or partly unsatisfied contracts

The following table shows how much revenue and other operating income is expected to be recognised in future reporting periods in respect of ongoing contracts which are partially or fully unsatisfied as at the reporting date.

Year ended 31 March	Audited 2025 £m	Unaudited* 2024 £m
<i>Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied at the reporting date:</i>		
Service connections	5.5	9.0
Requisitions and diversions	73.5	113.5
Infrastructure charges	586.6	567.3
Nil cost adopted assets	572.1	469.0
Other	5.2	5.3
Total	1,242.9	1,164.1

The Group considers the combination of activities comprising a service connection to represent a distinct performance obligation to the customer. This income is recognised within other operating income at the point in time that the service is complete, as no continuing obligation remains once the connection has been made. Typically, amounts received in respect of service connections will be fully recognised within a year following receipt.

The Group considers the performance commitment associated with requisitions and diversions to be the delivery of the associated asset and, accordingly, recognises this income over time. Requisitions and diversions encompass a wide variety of schemes, from those with short durations that would be fully recognised in the year following receipt to large multi-phase developments for which income could be recognised over the course of several years.

For infrastructure charges, the Group considers its performance commitment to align with its obligation to incur the expense to which the income relates, being the depreciation charge of the associated network reinforcement assets. Accordingly, the total amounts disclosed in the table above represent the total unamortised amount which will be recognised as income as the assets continue to depreciate.

For nil cost adopted assets, the Group considers its performance commitment to align with its obligation to service the end customer over the adopted asset's useful economic life. Accordingly, the total amounts disclosed in the table above represent the total unamortised amount which will be recognised as income as the assets continue to depreciate.

For water and wastewater services, the Group has a right to consideration from customers to an amount that corresponds directly with the value to the customer of the entity's performance completed to date, being the provision of such services. As such, revenue is recognised to the amount the Group has a right to invoice. Therefore, as allowed by the practical expedient set out in IFRS 15, these revenues are not included in the table above.

Notes to the consolidated financial statements (continued)

3. Operating expenses

Year ended 31 March	Audited 2025			Unaudited* 2024		
	Underlying £m	BTL £m	Total £m	Underlying £m	BTL £m	Total £m
Wages and salaries	425.3	-	425.3	424.5	-	424.5
Social security costs	45.6	-	45.6	43.4	-	43.4
Pension costs – defined benefit schemes	5.1	-	5.1	2.9	-	2.9
Pension costs – defined contribution schemes	34.1	-	34.1	33.9	-	33.9
Apprenticeship levy	2.6	-	2.6	2.1	-	2.1
Total employee costs	512.7	-	512.7	506.8	-	506.8
Power	219.7	-	219.7	239.1	-	239.1
Raw materials and consumables	87.7	-	87.7	88.5	-	88.5
Rates	148.1	-	148.1	133.4	-	133.4
Research and development expenditure	16.3	-	16.3	13.0	-	13.0
Insurance	70.7	-	70.7	40.3	-	40.3
Legal and professional fees	24.0	-	24.0	34.8	-	34.8
Third party costs ¹	587.2	-	587.2	549.8	-	549.8
Own works capitalised	(291.6)	-	(291.6)	(302.9)	-	(302.9)
Net operating expenses before depreciation and amortisation	1,374.9	-	1,374.9	1,302.8	-	1,302.8
Depreciation of property, plant and equipment	703.1	-	703.1	655.6	-	655.6
Depreciation of right-of-use assets	7.8	-	7.8	6.7	-	6.7
Amortisation of intangible assets	70.8	-	70.8	71.2	-	71.2
(Impairment reversal)/impairment of property, plant and equipment	(2.9)	-	(2.9)	27.0	-	27.0
Impairment of intangible assets	-	-	-	3.0	-	3.0
Net operating expenses excluding exceptional costs	2,153.7	-	2,153.7	2,066.3	-	2,066.3
<i>Exceptional costs</i>						
Financial restructuring and transformation	97.7	-	97.7	43.9	-	43.9
Ofwat dividend investigation	18.2	-	18.2	-	-	-
Ofwat wastewater investigation	104.0	-	104.0	-	-	-
Net operating expenses	2,373.6	-	2,373.6	2,110.2	-	2,110.2
Expected credit losses on trade receivables and contract assets	43.6	0.3	43.9	39.5	0.2	39.7
Total operating expenses	2,417.2	0.3	2,417.5	2,149.7	0.2	2,149.9

¹Third-party costs primarily relate to costs for contracted services and repairs, and the maintenance of assets, including associated labour costs, which do not qualify as capital expenditure under IAS 16 Property, Plant and Equipment.

Exceptional costs reflect the following:

- financial restructuring costs of £64.5 million (2024: £31.3 million) including legal and professional fees, some of which have been incurred on behalf of lenders and prospective equity investors, and turnaround and transformation expenditure of £33.2 million (2024: £12.6 million) incurred as a result of significant restructuring of the business
- a provision related to Ofwat's dividend investigation of £18.2 million (2024: £nil)
- a provision related to Ofwat's regulatory investigation into our Wastewater Business and operation of sewage treatment works of £104.0 million (2024: £nil)

These costs are considered exceptional in nature, and represent additional significant expenditure to be incurred that is not in the ordinary course of business. The tax impact of exceptional items is a reduction in the tax charge in the Income Statement of £24.4 million (2024: £11.0 million) applying the 25% corporation tax rate (2024: 25%).

Notes to the consolidated financial statements (continued)

3. Operating expenses (continued)

Auditors' remuneration

Amounts payable to the Group's auditors are shown below in respect of the following services to the Group:

	Audited 2025 £'000	Unaudited* 2024 £'000
<i>Fees payable to the Group's auditors:</i>		
Fees payable for the audit of the Group and Company financial statements	80.0	103.0
Fees payable for the audit of the subsidiary financial statements	3,417.7	2,043.7
<i>Fees payable to the Group's auditors for other services:</i>		
Audit related assurance services	893.8	628.2
Other assurance services	-	117.1
Total aggregate remuneration	4,391.5	2,892.0

Fees payable for the audit of the Group's financial statements in the current financial year include £450,000 (2024: £207,000) in respect of the prior year audit and exclude £13,000 (2024: £12,000) for out-of-pocket expenses incurred for delivery of the audit.

Other audit-related assurance services include certain agreed upon procedures performed by PricewaterhouseCoopers LLP in connection with the Group's regulatory reporting requirements for Ofwat.

4. Employees and Directors

Employees

All employees are based in the United Kingdom. All employees are employed by the Company's subsidiary Thames Water Utilities Limited (TWUL). The Company had no employees during the period.

The monthly average number of persons employed on a permanent basis by the Group (including Executive Directors) during the year, analysed by category, was as follows:

	Audited 2025 Number	Unaudited* 2024 Number
Asset, operations and capital delivery	5,738	5,742
Retail	1,194	1,281
Group services	534	553
Digital transformation	358	358
Total persons employed by the Group	7,824	7,934

Directors emoluments

The Directors of the Company are remunerated by TWUL, no additional fees or salaries are paid to the Directors by the Company. The Directors' emoluments for the Group were as follows:

Year ended 31 March	Audited 2025 £'000	Unaudited* 2024 £'000
Director's fees in respect of services to the Company	-	-
Director's fees in respect of services to the Company's subsidiaries	4,127.0	3,649.0
Total	4,127.0	3,649.0

Included in the table above is £1.7 million (2024: £0.9 million) for salaries to the Executive Directors who sit on the board, and £1.1 million (2024: £0.7 million) for fees paid to Non-Executive Directors for their services to TWUL. In addition, the Executive Directors received total remuneration of £nil (2024: £0.2 million) for their services to parent companies within the Kemble Water Holdings Group. These costs are recharged to other group companies.

In the current and preceding financial years, no amounts were accruing to any Directors under the Group's defined benefit scheme in respect of services to TWUL. TWUL contributed cash of £158,000 (2024: £122,000) as a pension supplement for two Directors (2024: four Directors). In the current and preceding years, TWUL made no contributions into the Group's defined contribution pension scheme in relation to the Directors.

Payment on loss of office for 31 March 2025 includes settlement payments of £680,000, and payment in lieu of notice includes payments of £296,530 for Alistair Cochran, who stepped down as CFO and from the Board of TWUL with immediate effect on 27 March 2025.

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

4. Employees and Directors (continued)

Payment on loss of office for 31 March 2024 includes contractual payments of base salary and benefits of £436,000 during the notice period of Sarah Bentley, who stepped down as CEO and from the Board of TWUL with effect from 27 June 2023. This notice period ended on 28 December 2023 and no further payments for loss of office were received.

Other benefits include medical benefits, car allowances, relocation costs, salary adjustments and other incentive payments.

Highest paid Director

No fees were paid to directors in the current year by the Company. The total emoluments of the highest paid Director in respect of services to TWUL, the Company's immediate subsidiary, during the year were £1,611,254 (2024: £1,082,493).

5. Finance income and expense

Finance income

During the year ended 31 March 2025, the Group recognised finance income of £186.3 million (2024: £206.3 million) relating mainly to interest income on swaps, intercompany loans receivable, money market funds and short term investments.

Year ended 31 March	Audited 2025 £m	Unaudited* 2024 £m
Interest income on money market funds, short-term investments and cash at bank and in hand	46.7	50.2
Interest income on swaps	139.2	155.7
Trading interest income	0.4	0.4
Total finance income	186.3	206.3

Finance expense

During the year ended 31 March 2025, the Group recognised finance expenses of £1,078.6 million (2024: £885.8 million) relating mainly to interest and accretion on borrowings, interest on defined benefit pension obligations and other finance fees.

Year ended 31 March	Note	Audited 2025 £m	Unaudited* 2024 £m
Interest expense in relation to bank and other loans		(705.1)	(576.1)
RPI accretion on bank and other loans		(141.6)	(240.1)
Interest in relation to intercompany borrowings		(215.5)	(216.3)
Net interest expense on defined benefit obligation	22	(5.2)	(7.6)
Interest expense on leases	12	(3.5)	(3.1)
Trading interest expense		(0.2)	(0.1)
Other finance fees		(2.1)	(1.9)
Gross finance expense		(1,073.2)	(1,045.2)
Capitalised borrowing costs		187.1	159.4
Exceptional debt restructuring costs		(192.5)	-
Total finance expense		(1,078.6)	(885.8)

The exceptional items of £192.5 million (2024: £nil) reflect the following:

- £105.0 million (2024: £nil) related to the recognition of consent fee debt, that was issued in lieu of cash and £0.7 million (2024: £nil) related to the unwinding of the discount during the year
- £86.8 million (2024: £nil) advisory fees, including legal and professional fees related to the debt restructuring plan.

These costs are considered exceptional in nature with additional significant expenditure to be incurred that is not in the ordinary course of the business. The tax impact of exceptional items is a reduction in the tax charge in the Income Statement of £48.1 million (2024: £nil) applying the 25% corporation tax rate (2024: 25%).

Notes to the consolidated financial statements (continued)

6. Net (losses)/gains on financial instruments

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

	Audited 2025 £m	Unaudited* 2024 £m
Year ended 31 March		
Net exchange gains on foreign currency borrowings	79.3	124.6
Net (losses)/gains arising on swaps where hedge accounting is not applied ¹	(224.5)	34.8
Gain on loan extension ²	-	11.6
Losses on cash flow hedge transferred from equity ³	(2.8)	(18.7)
Gross net (losses)/gain on financial instruments	(148.0)	152.3
Exceptional debt restructuring costs	(92.5)	-
Total	(240.5)	152.3

¹ Net (losses)/gains arising on swaps where hedge accounting is not applied primarily reflect higher interest rate expectations, higher recovery rate assumptions and lower RPI expectations. The amount includes the fair value of £219.0 million (2024: £309.4 million) accreted on index-linked swaps during the year.

² Gain on extinguishment of debt in 2024 includes £4.6 million relating to two loan amendment and extensions in October 2023, including £1.0 million relating to a £100.0 million Class A RPI loan originally due to mature in 2025, and £3.6 million relating to a £125.0 million Class A RPI loan originally due to mature in 2026. The remaining £7.0 million relates to a gain from partial repurchase of a £500.0 million Class A fixed-rate bond (originally due to mature in 2025) in January 2024.

³ Refer to note 18: Financial instruments for more information on the losses on cash flow hedge transferred from equity.

The Group recognised £92.5 million (2024: £nil) exceptional items on financial restructuring relating to consent fee derivatives that were incurred to obtain consent from hedging counterparties for the change to the terms. These fees are derived from the underlying fair value of the original swap and have therefore been classified as derivative financial instruments. These costs are considered exceptional in nature with additional significant expenditure to be incurred that is not in the ordinary course of the business. The tax impact of exceptional items is a reduction in the tax charge in the Income Statement of £23.1 million (2024: £nil) applying the 25% corporation tax rate (2024: 25%).

7. Tax (credit)/charge on (loss)/profit on ordinary activities

	Audited 2025				Unaudited* 2024			
	Underlying	Exceptional items	BTL	Total	Underlying	Exceptional items	BTL	Total
Year ended 31 March	£m	£m	£m	£m	£m	£m	£m	£m
<i>Current tax:</i>								
Current tax charge/(credit)	95.7	(95.7)	-	-	(52.8)	18.7	29.2	(4.9)
Adjustments in respect of prior periods	23.0	11.0	(29.2)	4.8	(4.4)	-	-	(4.4)
Current tax subtotal	118.7	(84.7)	(29.2)	4.8	(57.2)	18.7	29.2	(9.3)
<i>Deferred tax:</i>								
Origination and reversal of timing differences	(227.1)	-	-	(227.1)	24.4	-	-	24.4
Effect of tax rate change	(3.3)	-	-	(3.3)	-	-	-	-
Adjustments in respect of prior periods	0.3	-	-	0.3	70.1	-	-	70.1
Deferred tax subtotal	(230.1)	-	-	(230.1)	94.5	-	-	94.5
Tax (credit)/charge on (loss)/profit on ordinary activities	(111.4)	(84.7)	(29.2)	(225.3)	37.3	18.7	29.2	85.2

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

7. Tax (credit)/charge on (loss)/profit on ordinary activities (continued)

The tax charge for the year ended 31 March 2025 is lower (2024: higher charge) than the standard rate of corporation tax in the UK. The differences are explained below:

	Audited 2025					Unaudited* 2024				
	Underlying £m	Exceptional items £m	BTL £m	Total £m	Effective tax rate %	Underlying £m	Exceptional items £m	BTL £m	Total £m	Effective tax rate %
Year ended 31 March										
(Loss)/Profit on ordinary activities before taxation	(292.0)	(504.9)	135.1	(661.8)		(82.7)	(43.9)	116.6	(10.0)	
Corporation tax at 25% (2024: 25%) on (loss)/profit on ordinary activities before taxation	(73.0)	(126.2)	33.8	(165.4)	25.0%	(20.8)	(11.0)	29.2	(2.6)	25.0%
<i>Effects of:</i>										
<i>Recurring items:</i>										
Depreciation on assets that do not qualify for tax relief	6.4	-	-	6.4		6.3	-	-	6.3	
Disallowable expenditure ¹	10.9	30.5	-	41.4		5.2	-	-	5.2	
Non-taxable income ²	(15.5)	-	-	(15.5)		(63.0)	-	-	(63.0)	
Property disposals	-	-	-	-		(1.5)	-	-	(1.5)	
Impact of tax losses not paid for at standard rate ³	33.8	-	(33.8)	-		-	-	-	-	
Tax losses carried forwards	45.2	-	-	45.2		24.8	-	-	24.8	
Other	-	-	-	-		1.4	-	-	1.4	
Tax charge/(credit) as adjusted for recurring items	7.8	(95.7)	-	(87.9)	13.2%	(47.6)	(11.0)	29.2	(29.4)	(295.4%)
<i>Non-recurring items:</i>										
Effect of tax rate change ⁴	(3.3)	-	-	(3.3)		-	-	-	-	
Recognition of previously unrecognized deferred tax ⁴	(139.2)	-	-	(139.2)		-	-	-	-	
Impairment losses	-	-	-	-		19.2	29.7	-	48.9	
Adjustments in respect of prior periods – group relief ⁵	23.0	11.0	(29.2)	4.8		(4.4)	-	-	(4.4)	
Adjustments in respect of prior periods – deferred tax	0.3	-	-	0.3		70.1	-	-	70.1	
Total tax (credit)/charge	(111.4)	(84.7)	(29.2)	(225.3)	34.0%	37.3	18.7	29.2	85.2	(855.9%)

1 Disallowable expenditure primarily relates to fines included in operating expenses.

2 Non-taxable income relates primarily to income received towards fixed assets such as new service connections. This income is reflected in the accounts as non-taxable income under IFRS principles, while the cost of the new fixed assets is not eligible for capital allowances.

3 In the current year, all taxable profits of the Group will be covered by group relief bought from a Group company for which no payment will be made. Tax losses arising in the underlying business will be used to cover the taxable profits of BTL, for which no payment will be made as all amounts arose within the Group. Tax charges for BTL are calculated based on the profit before tax and any non-taxable/non-allowable transactions related to BTL.

4 The tax rate change enacted in 2021 was primarily reflected in the year ended 31 March 2022, although the prior year reflected some additional tax rate change impact on deferred tax, as some timing differences had unwound earlier or later than expected. Under IFRS, a deferred tax asset (DTA) is required to be set up in respect of the tax losses carried forward in the Company. This is because Thames Water Utilities Ltd (TWUL) has deferred tax liabilities (DTLs) in excess of other DTAs and the assumption under IFRS is that the future unwind of such DTLs would create sufficient future taxable profits to enable utilisation of the tax losses arising in the current year via group relief. Therefore, a DTA of £139.2 million on £556.8million tax losses at the 25% future CT rate has been recognised at TWUHL Group level only.

5 During the current year, the Group finalised its corporation tax returns for the 31 March 2024. It had expected there would be payments for group relief claimed from other group companies at the standard rate, however, it has been agreed that no payment will be made for the group relief claims by TWUL and TWUF. Therefore, the group relief tax charge for 31 March 2024 has been reversed in the current year.

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

7. Tax (credit)/charge on (loss)/profit on ordinary activities (continued)

The effective tax rate (ETR) on the profit before tax in the current year, as adjusted for recurring tax items, is 13.2%, which is lower than the standard tax rate for the year of 25%. The Group is not currently in a cash tax paying position with HMRC primarily due to tax deductions for borrowing costs.

The Group has considered its position under the OECD's Global Anti-Base Erosion Model Rules (Pillar Two) and the UK's implementation of Multinational Top-up Tax and Domestic Top-up Tax legislation. While the Group is of sufficient size that it will be required to make filings in compliance with these rules for FY25, no material liability to top-up tax (either multinational or domestic) is expected to arise.

The differences between profit/(loss) on ordinary activities before taxation at the standard corporation tax rate and the current tax (credit)/charge for the year are set out below.

Year ended 31 March	Audited 2025				Unaudited* 2024			
	Underlying £m	Exceptional items £m	BTL £m	Total £m	Underlying £m	Exceptional items £m	BTL £m	Total £m
(Loss)/Profit on ordinary activities before taxation	(292.0)	(504.9)	135.1	(661.8)	(82.7)	(43.9)	116.6	(10.0)
Corporation tax at 25% (2024: 25%) on (loss)/profit on ordinary activities before taxation	(73.0)	(126.2)	33.8	(165.4)	(20.8)	(11.0)	29.2	(2.6)
Effects of:								
Depreciation on assets that do not qualify for relief	6.4	-	-	6.4	6.3	-	-	6.3
Disallowable expenditure	10.9	30.5	-	41.4	5.2	-	-	5.2
Non-taxable income	(15.5)	-	-	(15.5)	(63.0)	-	-	(63.0)
Property disposals	-	-	-	-	(1.5)	-	-	(1.5)
Impact of tax losses not paid for at standard rate	33.8	-	(33.8)	-	-	-	-	-
Capital allowances for the year lower than depreciation ⁶	140.7	-	-	140.7	132.8	-	-	132.8
Capitalised borrowing costs allowable for tax ⁸	(46.7)	-	-	(46.7)	(36.8)	-	-	(36.8)
Gains/(losses) on financial derivatives ⁹	4.2	-	-	4.2	(112.4)	-	-	(112.4)
Pension cost charge in lower than pension contributions	(3.0)	-	-	(3.0)	(9.5)	-	-	(9.5)
Other short-term timing differences	(7.3)	-	-	(7.3)	2.8	-	-	2.8
Impairment losses	-	-	-	-	19.3	29.7	-	49.0
Tax losses carried forward ¹⁰	45.2	-	-	45.2	24.8	-	-	24.8
Adjustments in respect of prior periods – current tax ⁶	23.0	11.0	(29.2)	4.8	(4.4)	-	-	(4.4)
Current tax charge/(credit) for the year	118.7	(84.7)	(29.2)	4.8	(57.2)	18.7	29.2	(9.3)

6 Capital allowances claimed by TWUL were lower than depreciation in order to avoid tax losses arising in the current year and to reduce tax losses arising in the prior year.

7 Capitalised borrowing costs are eligible for a full tax deduction in the year.

8 Accounting fair value profits and losses arising on our derivatives are predominantly non-taxable and non-deductible respectively, as instead they are usually taxed as the cash flows arise. Consent fee derivatives are an exception. Deferred tax is provided on all temporary differences

Uncertain tax positions

At 31 March 2025 the total value of uncertain tax positions was £nil (2024: £nil).

Tax (charged)/credited directly to other comprehensive income

The deferred tax (charged)/credited directly to other comprehensive income during the year is as follows:

Year ended 31 March	Audited 2025 £m	Unaudited* 2024 £m
Deferred tax (charge)/credit on net actuarial gain/(loss) in the year	(5.2)	(5.9)
Deferred tax charge on cash flow hedges in the year	(0.7)	(4.7)
Total tax (charged)/credited directly to other comprehensive income	(5.9)	(10.6)

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase from 19% to 25%. This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using this enacted tax rate and reflected in these financial statements, except for deferred tax liability on the surplus on the TWMIPS pension scheme which continued to be provided at 35% as at 31 March 2024. From 1 April 2024 the rate for pension fund surplus on the TWMIPS pension scheme has been reduced to 25%. The impact of the rate change affects deferred tax amounts in the Income Statement and in other comprehensive income.

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

8. Dividends

During the year ended 31 March 2025, the Company paid total dividends of £nil (2024: £nil).

The aggregate amount of dividends proposed but not paid nor recognised as liabilities at the period end is £nil (2024: £nil). The Company is currently unable to pay dividends due to being in a cash lock-up under the financing documents.

In October 2023, TWUL paid dividends of £37.5 million to the Company. These proceeds were subsequently distributed by the Company to Thames Water Limited (TWL) as interest paid and then through to Kemble Water Finance Limited (KWF). KWF retained the proceeds to service its own and its subsidiary Thames Water (Kemble) Finance plc's external debt obligations.

In March 2024, Kemble Water Eurobond plc (KWE), an intermediate parent of the Company, made internal inflation mechanism pension contribution payments totalling £27.1 million to the defined benefit schemes, Thames Water Pension Scheme and Thames Water Mirror Image Pension Scheme, on behalf of TWUL. In connection with this transaction, TWUL issued 27.1 million shares with a nominal value of £1 to the Company for a total value of £27.1 million and TWUL paid a £27.1 million dividend to the Company. The Company issued 27.1 million shares with a nominal value of £1 for a total value of £27.1m to Thames Water Limited (TWL) and the Company paid interest to TWL of £27.1 million and through further intercompany transactions between intermediate holding companies, the amount was to be received by KWE. These flows were settled as part of a net settlement deed and, as a result of this arrangement, £27.1 million was paid directly into the defined benefit pension schemes. These flows are included within the statement of cash flows as they resulted in the outflow of physical cash from the Kemble Water Holdings Limited Group.

In March 2024, TWUL paid dividends of £131.2 million to the Company under a net settlement deed which did not result in a cash movement. TWUL received group relief owed from other entities within the Kemble Water Holdings Group of £150.8 million. TWUL settled intercompany loans including associated interest owed to TWL of £0.3 million and the Company settled interest owed on intercompany loans to TWL of £150.5 million. These flows are not included in the statement of cashflow as they are not cash items.

Refer to note 20 for the provision raised on the fine imposed by Ofwat in relation to these dividend payments made by TWUL to TWUHL.

There were no distributions to external shareholders (shareholders of Kemble Water Holdings Limited) during the year ended 31 March 2025 (2024: £nil).

9. Intangible assets

	Software £m	Assets in development £m	Total £m
Cost:			
Unaudited*: At 1 April 2023	538.3	16.3	554.6
Additions	-	44.8	44.8
Transfers between categories	42.6	(42.6)	-
Unaudited*: At 31 March 2024	580.9	18.5	599.4
Additions	-	44.3	44.3
Transfers between categories ¹	33.9	(33.7)	0.2
Disposals	(11.3)	-	(11.3)
Audited: At 31 March 2025	603.5	29.1	632.6
Accumulated amortisation:			
Unaudited*: At 1 April 2023	(291.3)	-	(291.3)
Amortisation charge	(71.2)	-	(71.2)
Impairment loss	(3.0)	-	(3.0)
Unaudited*: At 31 March 2024	(365.5)	-	(365.5)
Amortisation charge	(70.8)	-	(70.8)
Transfers between categories ¹	(0.1)	-	(0.1)
Disposals	11.3	-	11.3
Audited: At 31 March 2025	(425.1)	-	(425.1)
Net book value:			
Audited: At 31 March 2025	178.4	29.1	207.5
Unaudited*: At 31 March 2024	215.4	18.5	233.9

¹The net amount relates to a transfer between intangible assets and property, plant and equipment.

The intangible assets include a Customer Relationship Management Billing (CRM Billing) system. As at 31 March 2025, the CRM billing system has a carrying value of £51.0 million and remaining useful life of 4.5 years remaining on its 10-year useful economic life.

The amount of borrowing costs capitalised as intangible assets is £0.4 million (2024: £0.3 million). The effective annual capitalisation rate for borrowing costs for the financial year ended 31 March 2025 was 6.6% (2024: 6.6%).

The gross carrying amount of intangible assets that was fully amortised at 31 March 2025 amounted to £215.5 million (2024: £160.0 million). Meanwhile, the group disposed of £11.3 million (2024: £nil) intangible assets which relate to assets with a £nil Net Book Value.

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

10. Property, plant and equipment

	Land & buildings	Plant & equipment	Network Assets	Assets under construction	Total
	£m	£m	£m	£m	£m
Cost:					
Unaudited*: At 1 April 2023	4,121.8	9,610.2	9,795.4	2,515.7	26,043.1
Additions	26.0	0.2	58.6	1,954.1	2,038.9
Transfers between categories	105.6	704.8	574.0	(1,384.4)	-
Disposals	(10.5)	(2,302.4)	(0.3)	-	(2,313.2)
Unaudited*: At 31 March 2024	4,242.9	8,012.8	10,427.7	3,085.4	25,768.8
Additions	-	0.1	77.0	2,103.7	2,180.8
Transfers between categories	141.6	652.0	607.8	(1,401.6)	(0.2)
Disposals	(15.5)	(93.7)	(34.5)	-	(143.7)
Audited: At 31 March 2025	4,369.0	8,571.2	11,078.0	3,787.5	27,805.7
Accumulated depreciation and impairment:					
Unaudited*: At 1 April 2023	(1,243.2)	(5,582.3)	(1,179.2)	(21.0)	(8,025.7)
Depreciation charge	(76.1)	(420.7)	(158.8)	-	(655.6)
Impairment loss	-	-	-	(27.0)	(27.0)
Disposals	9.8	2,301.5	-	-	2,311.3
Unaudited*: At 31 March 2024	(1,309.5)	(3,701.5)	(1,338.0)	(48.0)	(6,397.0)
Depreciation charge	(80.2)	(461.2)	(161.7)	-	(703.1)
Transfers between categories ¹	-	0.1	-	-	0.1
Impairment reversal	-	2.9	-	-	2.9
Disposals	-	93.1	34.5	-	127.6
Audited: At 31 March 2025	(1,389.7)	(4,066.6)	(1,465.2)	(48.0)	(6,969.5)
Net book value:					
Audited: At 31 March 2025	2,979.3	4,504.6	9,612.8	3,739.5	20,836.2
Unaudited*: At 31 March 2024	2,933.4	4,311.3	9,089.7	3,037.4	19,371.8

¹The net amount relates to a transfer between intangible assets and property, plant and equipment.

The amount of borrowing costs capitalised as property, plant and equipment in the period is £186.7 million (2024: £159.1 million). The effective annual capitalisation rate for borrowing costs for financial year ended 31 March 2025 was 6.6% (2024: 6.6%).

The gross carrying amount of property, plant and equipment that was fully depreciated at 31 March 2025 amounted to £1.1 billion (2024: £0.9 billion). During the year, the Group disposed of £120.9 million (2024: £2,311.3 million) of property, plant and equipment assets with a £nil net book value following internal review of asset data.

The impairment reversal of £2.9 million (2024: £nil) is recognised as a result of the reassessment performed on the latest forecast of the remaining capital expenditure on the desalination plant for the financial year end 31 March 2025.

As at 31 March 2025, land and buildings within the property, plant and equipment note included purchases made in relation to the Thames Tideway Tunnel (TTT) project acquired to perform necessary works relating to the construction and integration of the tunnel into our network. Land and buildings consists of both land and buildings that will be disposed of in line with the agreement with Ofwat once the asset has been brought into use, forming part of the asset to be depreciated, and land and buildings that will be retained for operational use and remain in land and buildings.

During the year, land and buildings purchased in relation to the TTT project with a net book value of £48.9 million were sold for net proceeds of £15.0 million. On disposal £33.9 million was transferred to assets under construction, this represents the accumulated depreciation of the asset resulting from the Group's consumption of the asset, management deems this to have crystallised on disposal. This cost has been capitalised onto the cost of the asset under construction as this asset and cost was necessary in bringing the TTT to a position to operate in the manner management intended.

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

11. Investment property

	Total £m
Cost:	
Unaudited*: At 1 April 2023	50.0
Unaudited*: At 31 March 2024	50.0
Audited: At 31 March 2025	50.0
Accumulated depreciation and impairment:	
Unaudited*: At 1 April 2023	(48.0)
Unaudited*: At 31 March 2024	(48.0)
Audited: At 31 March 2025	(48.0)
Unaudited*: Net book value at 31 March 2024	2.0
Audited: Net book value at 31 March 2025	2.0

Investment property is held at cost less accumulated depreciation.

An independent property valuation undertaken in a prior period, valued the investment property at £2.0 million, equivalent to the net book value and materially to the residual value.

The property was acquired to facilitate the building of interfaces to the Thames Tideway Tunnel (TTT), by nature resulting in an expected reduction in the investment value of the property. The accumulated depreciation charged has been disclosed as a cost within assets under construction within the property, plant and equipment note, as this cost is a necessary condition for the TTT to operate in the manner it was intended and it is expected to.

In accordance with Condition T of the TWUL regulatory licence, all net economic gains or losses from disposals of TTT investment property will be borne by customers in the future through an adjustment to TWUL regulatory capital value.

Amounts recognised for rental income in the year ended 31 March 2025 received on investment property amounted to £1.7 million (2024: £3.4 million).

Amounts recognised for operating expenses, including business rates and ground rent on investment property amounted to £4.3 million (2024: £5.0 million).

12. Leases

(i) Amounts recognised in the statement of financial position

Right-of-use assets

As at	Audited 2025 £m	Unaudited* 2024 £m
Land and buildings	37.4	36.5
Total	37.4	36.5

Additions to right-of-use assets during the year ended 31 March 2025 were £0.3 million as a result of new leases in the period (2024: £2.1 million) and £8.3 million which arose as a result of lease modifications in the period (2024: £1.0 million additions).

Lease liabilities

As at	Audited 2025 £m	Unaudited* 2024 £m
Current	(6.5)	(7.8)
Non-current	(46.7)	(45.2)
Total	(53.2)	(53.0)

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

12. Leases (continued)

(ii) Amounts recognised in the income statement

For the year ended	Audited 2025 £m	Unaudited* 2024 £m
Depreciation charge of right-of-use assets	7.8	6.7
Interest expense included in finance costs	3.5	3.1
Expense relating to short-term leases, low value assets and variable lease payments not included in lease liabilities	25.4	28.2
Total	36.7	38.0

The total cash outflow for leases during the year ended 31 March 2025 was £11.1 million (2024: £10.2 million).

The total leases repayments expected over the next year are £6.5 million (2024: £7.8 million), over the next 1 to 5 years are £25.9 million (2024: £19.4 million) and over more than 5 years are £20.8 million (2024: £25.8 million).

The Group's leasing activities consist of rentals payable for office properties and other land and buildings.

13. Inventories

As at 31 March	Audited 2025 £m	Unaudited* 2024 £m
Raw materials and consumables	22.5	23.3
Total	22.5	23.3

14. Trade and other receivables

As at 31 March	Audited 2025			Unaudited* 2024		
	Underlying £m	BTL £m	Total £m	Underlying £m	BTL £m	Total £m
<i>Non-current:</i>						
Prepayments	-	623.9	623.9	-	493.4	493.4
Insurance claims receivable	42.6	-	42.6	38.1	-	38.1
Other receivables	2.5	-	2.5	1.9	-	1.9
	45.1	623.9	669.0	40.0	493.4	533.4
<i>Current:</i>						
Gross trade receivables ¹	551.0	29.2	580.2	523.8	30.4	554.2
Less expected credit losses provision	(171.9)	(5.2)	(177.1)	(150.0)	(4.7)	(154.7)
Net trade receivables	379.1	24.0	403.1	373.8	25.7	399.5
Other receivables	45.0	-	45.0	44.1	-	44.1
Contract assets	337.9	6.3	344.2	288.6	7.5	296.1
Prepayments	58.0	-	58.0	45.2	-	45.2
Insurance claims receivable	9.8	-	9.8	18.5	-	18.5
Amounts owed to group undertakings	0.1	-	0.1	0.2	-	0.2
Group relief receivable	-	-	-	50.6	(45.8)	4.8
	829.9	30.3	860.2	821.0	(12.6)	808.4
Total	875.0	654.2	1,529.2	861.0	480.8	1,341.8

¹ This includes an amount representing billed items where collection is not probable at the point of delivery; the value is disclosed within note 2.

The Directors consider that the carrying amount of trade and other receivables is approximately equal to its fair value.

Non-current prepayments at 31 March 2025 are £623.9 million (2024: £493.4 million) relate to the Bazalgette Tunnel Limited (BTL) arrangement. The prepayment is created and recorded for the use of the Thames Tideway Tunnel once the tunnel is made available for use. The BTL prepayment will be utilised upon commencement of the lease.

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

14. Trade and other receivables (continued)

Contract assets at 31 March 2025 includes £259.8 million (2024: £217.2 million) of services provided to metered customers. Included within this amount is a provision of £4.3 million for bad debt (2024: £9.3 million). The remaining amount relates to accrued capital contributions and accrued income from the BTL arrangement. BTL receivables relates to the value of receivables collected from other parties and passed onto BTL.

Expected credit losses provision

Movements in the expected credit losses provision were as follows:

	Audited 2025 £m	Unaudited* 2024 £m
At 1 April	(154.7)	(157.2)
Charge for bad and doubtful debts – charged against revenue ¹	(47.4)	(54.8)
Charge for bad and doubtful debts – included within operating expenses	(43.9)	(39.7)
Amounts written off (utilised)	75.4	96.7
Amounts reclassified to accrued income	(5.0)	1.3
Other adjustments included within operating expenses	(1.5)	(1.0)
Total at 31 March	(177.1)	(154.7)

¹Included within this is a £4.9 million increase (2024: £5.7 million increase) in the cancel rebill provision. This covers amounts that have been billed but will be cancelled at a later date and then not rebilled. The increase (2024: increase) of the provision in the current financial year is debited (2024: debited) to gross revenue. The remaining amount relates to the £42.5 million (2024: £49.1 million) charge for bad and doubtful debts against revenue as seen in note 2.

Ageing of gross receivables is as follows:

As at 31 March	Audited 2025 £m	Unaudited* 2024 £m
Up to 365 days	380.8	385.3
1 – 2 years	99.8	88.4
2 – 3 years	47.8	41.6
More than 3 years	51.8	38.9
Total	580.2	554.2

The ageing of gross BTL receivables is as follows:

As at 31 March	Audited 2025 £m	Unaudited* 2024 £m
Up to 365 days	21.1	22.8
1 – 2 years	5.5	5.2
2 – 3 years	2.6	2.4
Total	29.2	30.4

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. This is calculated based on historical experience of levels of recovery and expectation of what might happen in the future.

Expected credit loss split by ageing is as follows:

As at 31 March	Audited 2025 £m	Unaudited* 2024 £m
Up to 365 days	86.9	83.2
1 – 2 years	28.8	26.2
2 – 3 years	18.5	16.5
More than 3 years	42.9	28.8
Total	177.1	154.7

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

14. Trade and other receivables (continued)

Ageing of impaired BTL receivables is as follows:

As at 31 March	Audited 2025 £m	Unaudited* 2024 £m
Up to 365 days	3.4	3.1
1 – 2 years	1.1	1.0
2 – 3 years	0.7	0.6
Total	5.2	4.7

15. Cash and cash equivalents

As at 31 March	Audited 2025			Unaudited* 2024		
	Underlying £m	BTL £m	Total £m	Underlying £m	BTL £m	Total £m
Cash at bank and in hand ¹	79.0	-	79.0	15.0	-	15.0
Money market funds & short-term investments	201.6	25.8	227.4	1,259.9	6.3	1,266.2
Cash and cash equivalents²	280.6	25.8	306.4	1,274.9	6.3	1,281.2
Bank overdraft ³	(71.2)	-	(71.2)	(126.7)	-	(126.7)
Total	209.4	25.8	235.2	1,148.2	6.3	1,154.5

¹Within cash and cash equivalents there was £72.2 million which had been placed in a pre-funding account to cover the BACs run mentioned below, that was initiated on 28 March 2025 and settled on 1 April 2025.

²As at 31 March 2025, £45.6million (2024: £71.9 million) of cash and cash equivalents were held subject to WBS terms and conditions. While these restrictions do not prevent the Group from accessing these funds, the funds are only permitted under the WBS terms to be withdrawn for the specific purpose of servicing debt. Separately, £71.0 million held in a pre-funding account was restricted to the extent that a committed BACs run has been confirmed; £71.0 million of BACs runs were committed on 31 March 2025 to be held.

³Bank overdraft at 31 March 2025 largely includes the impact of a committed BACs run. This presentation follows our accounting policy, whereby committed payments are accounted for on the date of payment instruction, which may be in advance of the cash settlement. Cash held in a pre-funding account was sufficient to cover the cash outflows on the settlement date.

For the purposes of the consolidated Statement of Cash Flows, the total balance above includes cash and cash equivalents net of outstanding bank overdrafts. The net cash and cash equivalents at the end of the reporting period as shown in the consolidated Statement of Cash Flows can be reconciled to the related items in the consolidated Statement of Financial Position as per the above within current assets and current liabilities.

BTL cash represents amounts collected from wastewater customers, for the construction costs of the Thames Tideway Tunnel, which has not yet been paid across to BTL at the reporting date.

16. Trade and other payables

As at 31 March	Audited 2025			Unaudited* 2024		
	Underlying £m	BTL £m	Total £m	Underlying £m	BTL £m	Total £m
<i>Non-current:</i>						
Contract liabilities	1,159.4	-	1,159.4	1,039.1	-	1,039.1
<i>Current:</i>						
Trade payables	276.6	-	276.6	308.5	-	308.5
Amounts owed to group undertakings	-	-	-	0.4	-	0.4
Other taxation and social security	11.2	-	11.2	10.7	-	10.7
Accruals	559.4	-	559.4	469.8	-	469.8
Amounts owed to Bazalgette Tunnel Limited	-	20.8	20.8	-	8.9	8.9
Other payables	131.7	-	131.7	112.5	-	112.5
	978.9	20.8	999.7	901.9	8.9	910.8
<i>Current:</i>						
Contract liabilities	169.3	0.5	169.8	132.9	0.5	133.4
	1,148.2	21.3	1,169.5	1,034.8	9.4	1,044.2
Total	2,307.6	21.3	2,328.9	2,073.9	9.4	2,083.3

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

16. Trade and other payables (continued)

Non-current contract liabilities at 31 March 2025 includes £580.4 million (2024: £561.5 million) of deferred infrastructure charges and £572.1 million of deferred income for nil cost 'adopted' assets (2024: £469.0 million) and £6.9 million (2024: £8.6 million) of other deferred income.

Current contract liabilities at 31 March 2025 includes £74.8 million (2024: £71.9 million) of receipts in advance from customers for water and wastewater charges. The remaining amount relates to payments in advance in relation to compensation received for infrastructure charges, including deposits and other fees for service connections and requisitions.

Other payables at 31 March 2025 includes £103.4 million (2024: £83.4 million) of credit balances on customer accounts as a result of payments exceeding amounts billed to date, for example, by those customers who pay by direct debit who are yet to be billed. The remainder of the balance includes various other payables such as credit balances reclassified from debtors, customer security deposits and defined contribution pension creditor amounts.

The Directors consider that the carrying amount of trade and other payables within the scope of IFRS 7 is approximately equal to its fair value as outlined in the 'Comparison of fair value of financial instruments with their carrying amounts' section of note 18 Financial instruments.

17. Borrowings

As at 31 March	Audited 2025	Unaudited* 2024
	£m	£m
Secured bank loans and private placements	5,548.0	5,004.8
Bonds	11,103.9	11,101.2
Amounts owed to group undertakings	2,282.2	2,282.2
	18,934.1	18,388.2
Interest payable on borrowings	324.1	242.5
Interest payable on group undertakings	1,356.2	1,140.8
Total	20,614.4	19,771.5
Disclosed within non-current liabilities	20,290.3	18,526.4
Disclosed within current liabilities	324.1	1,245.1
Total	20,614.4	19,771.5

The Company, TWUL and TWUL's wholly owned financing subsidiary, TWUF, are the Obligors within a Whole Business Securitisation (WBS) group. Secured bank loans, private placements and bonds are in an arrangement whereby each Obligor (representing each of the companies within the WBS group) has entered into a Security Trust and Intercreditor Deed (STID) with the Security Trustee which secures assets in favour of creditors.

Pursuant to this arrangement, the Company guaranteed the obligations of each of the other Obligors under the finance agreement. Additionally, TWUL and TWUF have guaranteed the obligations of each other under the finance agreement, in each case to the Security Trustee. The guaranteed debt on a post swap basis as at 31 March 2025 was £17.9 billion (2024: £17.3 billion). TWUL and the Company guarantee the borrowings of their subsidiary TWSSI, although outstandings as at 31 March 2025 were £nil (2024: not applicable). Following the transition to IFRS 17, the Group made the election to apply the requirements in IAS 32 Financial Instruments: Presentation, IFRS 7 Financial Instruments: Disclosures and IFRS 9 Financial Instruments to these financial guarantee contracts. Refer to the accounting policies on pages 64 to 65 for more information.

Between October 2024 and February 2025 the Company executed a financial restructuring programme that resulted in an additional £1.5 billion debt facility from creditors via TWUL's new additional financing subsidiary, TWSSI. As there is an appeal process ongoing in relation to the court-sanctioned restructuring plan meaning the conditions precedent on the facility have not been met, TWSSI is only able to draw upon the facility following a creditor consent for each drawdown. In April and May 2025, £715 million of the facility was drawn upon and the net proceeds lent to TWUL. Consent was granted on 14 July 2025 for a further two drawdowns which provides additional resources for the Group through to September 2025. Funding for the further two drawdowns is expected to be provided in late July 2025 and mid-August 2025, in an aggregate amount of £157 million. A further £1.5 billion super senior facility may be made available by creditors to TWSSI under two accordion facilities of £750 million each, although these are currently uncommitted. £71 million of the original £1.5 billion facility is only available for drawing once the full accordion is drawn, following an amendment to the terms at the time of the first drawdown relating to a subset of non-participating lenders in that drawdown.

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

17. Borrowings (continued)

Breakdown of secured bank loans and private placements:

As at 31 March	Audited 2025 £m	Unaudited* 2024 £m
THAMES WATER UTILITIES LIMITED		
£144.8m 0.790% index-linked loan due 2033 (a), (e), (h), (i), (l), (n)	151.2	145.9
£180.1m 0.5975% index-linked loan due 2033 (a), (e), (h), (m), (n)	186.0	179.2
£215.0m 0.380% index-linked loan due 2032 (a), (b), (h), (n), (p)	172.9	187.6
£100.0m 3.261% index-linked loan due 2043 (a), (d), (h), (n)	163.5	168.2
£70.0m Class B 3.867% fixed rate loan due 2026 (a), (n)	70.0	70.0
£50.0m Class B 3.875% fixed rate loan due 2026 (a), (n)	50.0	50.0
£39.0m Class B 3.918% fixed rate loan due 2026 (a), (n)	38.9	38.8
£20.0m Class B floating rate loan due 2026 (a), (j), (n)	20.0	20.0
£50.0m Class B floating rate loan due 2025 (a), (j), (n)	50.0	49.9
£100.0m Class B floating rate loan due 2028 (a), (j), (n)	99.5	99.3
£150.0m Class B floating loan rate due 2029 (a), (j), (n)	149.0	148.8
\$285.0m 3.570% private placement due 2025 (a), (n)	220.6	225.4
£216.0m 2.450% private placement due 2028 (a), (n)	215.8	215.7
£210.0m 2.550% private placement due 2030 (a), (n)	209.6	209.5
£40.0m 2.620% private placement due 2033 (a), (n)	39.9	39.9
\$95.0m 4.890% private placement due 2029 (a), (f), (n)	73.4	75.0
£18.0m 4.800% private placement due 2029 (a), (n)	18.0	18.0
\$256.0m 5.010% private placement due 2032 (a), (f), (n)	197.7	202.0
\$81.0m 5.300% private placement due 2037 (a), (f), (n)	62.5	63.9
£150.0m 4.940% private placement due 2037 (a), (n)	149.6	149.6
£90.0m 5.120% private placement due 2042 (a), (n)	89.7	89.7
£125.0m floating rate loan due 2024 (a), (j), (k)	-	125.0
£51.1m floating rate loan due 2029 (a), (j), (n)	51.1	51.0
£63.1m floating rate loan due 2031 (a), (j), (n)	62.9	62.9
£100.0m floating rate loan due 2029 (a), (j), (n)	99.7	99.7
£98.5m floating rate loan due 2029 (a), (j), (n)	98.2	98.2
£65.0m Class B floating loan rate due 2027 (a), (j), (n)	64.7	64.6
£80.0m Class A floating rate loan due 2026 (j), (n)	79.9	-
£725.0m Class A floating rate loan due 2026 (j), (n)	721.8	-
Consent fee debt – Loans (o)	18.4	-
THAMES WATER UTILITIES FINANCE PLC		
\$106.0m 4.070% private placement due 2026 (a), (f), (n)	82.0	83.8
\$250.0m 4.220% private placement due 2027 (f), (n)	193.5	197.8
\$131.0m 4.270% private placement due 2029 (a), (f), (n)	101.2	103.4
€50.0m 2.100% private placement due 2030 (a), (f), (n)	41.7	42.6
£200.0m Class B floating rate loan due 2026 (a), (j), (n)	199.3	198.7
£270.0m floating rate loan due 2024 (c), (j)	-	270.0
£260.0m floating rate loan due 2024 (c), (j)	-	260.0
£280.0m floating rate loan due 2024 (c), (j)	-	280.0
£250.0m floating rate loan due 2024 (c), (j)	-	250.0
£150.0m floating rate loan due 2025 (c), (j), (n)	150.0	-
£260.0m floating rate loan due 2025 (c), (j), (n)	260.0	-
£280.0m floating rate loan due 2025 (c), (j), (n)	280.0	-
£250.0m floating rate loan due 2025 (c), (j), (n)	250.0	-
£220.7m Class B floating rate loan due 2024 (c), (g), (j)	-	220.7
£75.0m Class B floating rate loan due 2024 (g), (i), (j)	-	75.0
£75.0m Class B floating rate loan due 2024 (g), (j)	-	75.0
£365.8m floating rate loan due 2025 (c), (j), (n)	365.8	-
Total secured bank loans and private placements	5,548.0	5,004.8

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

- (a) These loans and private placements are shown net of issuance costs.
- (b) This debt amortises in equal tranches from 2017 onwards.
- (c) The interest margin of these loans is based on a ratings grid and varies depending on the senior debt credit rating of the Company as assigned by both S&P and Moody's and may be reduced if the Group has a GRESB score within a certain range.
- (d) This debt amortises from 2023 to 2033 in semi-annual tranches of £3.0 million, followed by semi-annual tranches of £750,000 until maturity, where there will be a bullet payment of £25.0 million.
- (e) These loans contain a collar mechanism that limits total accretion repayment within a predetermined range.
- (f) The Group entered into cross currency swap agreements which convert this debt into sterling debt. The maturity date of the swaps continue to align with the original maturity date of the debt instruments.
- (g) In March 2024, the £370.7 million Class B revolving credit facilities were drawn in full. In April 2024, these Class B drawdowns were fully repaid.
- (h) The value of the capital and interest elements of the index-linked loans is linked to movements in the Retail Price Index (RPI).
- (i) The interest margin of this loan is based on a ratings grid and varies depending on the senior debt credit rating of the Company as assigned by both S&P and Moody's.
- (j) These loans' interest rates are based on SONIA (Sterling Overnight Index Average).
- (k) These loans contain a circular economy adjustment that reduces the interest rate if certain key performance indicators are met.
- (l) In October 2023, the £100.0 million Class A RPI loan originally due in February 2025, with accreted principal of £144.8 million, was extended to 2033. In addition to the extension, the interest rate on the loan was amended to 3.44% with effect from the original maturity date. As the extension and amendment were a substantial modification, a gain on extinguishment of £1.0 million was recognised in the Income Statement under net gains on financial instruments.
- (m) In October 2023, the £125.0 million Class A RPI loan originally due in March 2026, with accreted principal of £180.1 million, was extended to 2033. In addition to the extension, the interest rate on the loan was amended to 3.67% with effect from the original maturity date. As the extension and amendment was a substantial modification, a gain on extinguishment of £3.6 million was recognised in the Income Statement under net gains on financial instruments.

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

17. Borrowings (continued)

Breakdown of secured bank loans and private placements:

- (n) On 25 February 2025, all debts had their maturity dates extended by two years, and all RCF facilities were cancelled or converted to term loans. However, the maturity dates will revert back to original maturities if, amongst other requirements, the Group meets investment grade with two rating agencies. As discussed on page 75, there is significant judgement on when the Group will meet investment grade. The maturity dates in the table above reflect the original maturity date, although classification is based on the revised current legal maturity date.
- (o) Consent fee debt was issued to lenders in the form of bonds, loans and fee letters, depending on their preference, in lieu of cash to obtain their consent for inserting higher-ranking debt in the form of the super senior facility and extending debt maturities. The aggregate face value of the consent fee debt was 123.6 million, with a zero coupon which matures when the next senior debt is due to be repaid, which is currently 22 March 2027. The super senior facility was only partly drawn down post year end.
- (p) At 31 March 2025 the counterparty had the right to convert to floating rate, if they were unable to hedge their exposure following the extension to the maturity date. The counterparty had not exercised this right at year end, and as such there was no modification assessment. However, Management received notice, and the debt was converted from RPI linked to floating in May 2025.

Breakdown of bonds:

As at 31 March	Audited 2025 £m	Unaudited* 2024 £m
THAMES WATER UTILITIES FINANCE PLC		
£330.0m 6.750% fixed rate bond due 2028 (b), (g)	328.7	328.5
£200.0m 6.500% fixed rate bond due 2032 (b), (g)	198.6	198.4
£600.0m 5.125% fixed rate bond due 2037 (b), (g)	597.3	597.1
£300.0m 1.680% index-linked bond due 2053 (b), (c), (g)	599.4	578.8
£300.0m 1.681% index-linked bond due 2055 (b), (c), (g)	599.4	578.8
£300.0m 4.375% fixed rate bond due 2034 (b), (g)	297.0	296.8
¥20.0bn 3.280% fixed rate bond due 2038 (a), (b), (g)	103.4	104.6
£50.0m 3.853% index-linked bond due 2040 (d), (g)	80.4	78.6
£500.0m 5.500% fixed rate bond due 2041 (b), (g)	491.5	491.2
£50.0m 1.980% index-linked bond due 2042 (b), (c), (g)	94.2	91.1
£55.0m 2.091% index-linked bond due 2042 (b), (c), (g)	100.8	97.3
£40.0m 1.974% index-linked bond due 2045 (b), (c), (e), (g)	52.4	52.5
£300.0m 4.625% fixed rate bond due 2046 (b), (g)	294.1	294.0
£100.0m 1.846% index-linked bond due 2047 (b), (c), (g)	188.4	182.0
£200.0m 1.819% index-linked bond due 2049 (b), (c), (g)	376.2	363.5
£200.0m 1.771% index-linked bond due 2057 (b), (c), (g)	375.8	363.1
£350.0m 1.760% index-linked bond due 2062 (b), (c), (g)	657.2	634.9
£500.0m (now £314.5m) 4.000% fixed rate bond due 2025 (b), (f), (g)	314.3	313.9
£40.0m 0.750% index-linked bond due 2034 (b), (c), (g)	60.3	58.2
£45.0m 0.721% index-linked bond due 2027 (b), (c), (g)	67.8	65.4
£300.0m 3.500% fixed rate bond due 2028 (b), (g)	298.8	298.4
£400.0m 7.738% fixed rate bond due 2058 (b), (g)	415.6	416.8
£250.0m 2.625% fixed rate bond due 2032 (b), (g)	248.5	248.3
£250.0m 2.875% Class B fixed rate bond due 2027 (b), (g)	249.1	248.7
CAD 250.0m 2.875% fixed rate bond due 2024 (a), (b)	-	145.9
£350.0m 2.375% fixed rate bond due 2040 (b), (g)	346.6	346.5
£40.0m 2.442% fixed rate bond due 2050 (b), (g)	39.9	39.9
\$57.0m 2.060% fixed rate bond due 2030 (a), (b), (g)	44.0	44.9
\$40.0m 1.604% fixed rate bond due 2027 (a), (b), (g)	30.9	31.6
€575.0m 0.875% fixed rate bond due 2028 (a), (b), (g)	479.8	489.6
€575.0m 1.250% fixed rate bond due 2032 (a), (b), (g)	476.2	485.6
€650.0m 4.000% fixed rate bond due 2027 (a), (b), (g)	541.5	552.0
€1.0bn 4.375% fixed rate bond due 2031 (a), (b), (g)	833.9	851.2
£300.0m 8.250% fixed rate bond due 2040 (b), (g)	294.6	294.5
£275.0m 7.125% fixed rate bond due 2031 (b), (g)	272.1	271.5
£575.0m 7.750% fixed rate bond due 2044 (b), (g)	567.8	567.1
THAMES WATER UTILITIES LIMITED		
Consent fee debt - Bonds (h)	87.4	-
Total bonds	11,103.9	11,101.2

All bonds are Class A except where highlighted.

- (a) The Group has entered into cross currency swap agreements which convert this debt into sterling debt.
- (b) These bonds are shown net of issuance costs.
- (c) The value of the capital and interest elements of the index-linked debt is linked to movements in the Retail Price Index (RPI).
- (d) This is a Limited Price Index (LPI) bond. Accretion is calculated using an adjusted UK Retail Price Index.
- (e) The bond amortises semi-annually between October 2015 and October 2045 in accordance with a published schedule.
- (f) In January 2024, the Group repurchased £185.5 million principal (out of the £500.0 million external debt principal due in 2025) at a £7.0 million discount.
- (g) On 25 February 2025, all debts had their maturity dates extended by two years, and all RCF facilities were cancelled or converted to term loans. However, the maturity dates will revert to their original maturity dates if, amongst other requirements, the Group meets investment grade with two rating agencies. As discussed on page 75, there is significant judgement on when the Group will meet investment grade. The maturity dates in the table above reflect the original maturity date, although classification is based on the revised maturity date.
- (h) Consent fee debt was issued to lenders in the form of loans or bonds, depending on their preference, in lieu of cash to obtain their consent for inserting higher-ranking debt in the form of the super senior facility and extending debt maturities. The aggregate face value of the consent fee debt was £123.6 million, with a zero coupon which matures when the next senior debt is due to be repaid, which is currently 22 March 2027. The super senior facility was only partly drawn down post year end, with £715 million drawn of the £1.5 billion facility.

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

17. Borrowings (continued)

Breakdown of amounts owed to group undertakings:

	Audited 2025 £m	Unaudited* 2024 £m
THAMES WATER LIMITED		
£1,980m 10% fixed rate loan due 2056 (b)	1,980.1	1,980.1
£220m 5.47% fixed rate loan due X (a) (b)	220.1	220.1
£50m 5.4% fixed rate loan due 2029 (a) (b)	50.0	50.0
£30m 5.46% fixed rate loan due 2030 (a) (b)	30.0	30.0
£2m 5.47% fixed rate loan due X (a) (b)	2.0	2.0
Total amounts owed to group undertakings	2,282.2	2,282.2

- (a) The loans were repayable on demand.
- (b) On 25 February 2025, the terms of the debt were modified such that the maturity date was extended by two years, and were no longer repayable on demand until the end of the stable platform period. However, the maturity dates will revert to their original maturity dates if, amongst other requirements, the Group meets investment grade with two rating agencies. As discussed on page 75, there is significant judgement on when the Group will meet investment grade. The maturity dates in the table above reflect the original maturity date, although classification is based on the revised maturity date.
- (c) The above table excludes £0.1 million (2024: £nil) owed to Kemble Water Holdings Limited, the Company's ultimate parent. This amount is not a documented loan and hence doesn't form part of the borrowings listed above. This payable letter is only repayable when the Company has access to alternative sources.

18. Financial instruments

Categories of financial instruments

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

Financial assets:

As at 31 March	Audited 2025 £m	Unaudited* 2024 £m
<i>Fair value through profit or loss</i>		
Cross currency swaps	55.9	92.1
Interest rate swaps	211.2	247.6
Index-linked swaps	33.0	48.6
Cash and cash equivalents – money market funds	147.7	1,266.2
	447.8	1,654.5
<i>Amortised cost</i>		
Trade and other receivables (excluding non-financial assets)	503.1	507.1
Cash and cash equivalents – short term investments	79.7	-
Cash and cash equivalents – cash at bank and in hand	79.0	15.0
	661.8	522.1
Total	1,109.6	2,176.6

Financial liabilities:

As at 31 March	Audited 2025 £m	Unaudited* 2024 £m
<i>Fair value through profit or loss</i>		
Cross currency swaps	(120.0)	(107.4)
Interest rate swaps	(248.6)	(288.9)
Index-linked swaps	(1,257.2)	(1,339.6)
Consent fee derivatives ¹	(92.5)	-
	(1,718.3)	(1,735.9)
<i>Amortised cost</i>		
Trade and other payables (excluding non-financial liabilities)	(988.5)	(899.9)
Borrowings	(20,614.4)	(19,771.5)
Lease liabilities	(53.2)	(53.0)
Bank overdraft ²	(71.2)	(126.7)
	(21,727.3)	(20,851.3)
Total	(23,445.6)	(22,587.0)

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

18. Financial instruments (continued)

Categories of financial instruments (continued)

¹ Consent fee derivatives were entered into as part of the restructuring in order to obtain consent from interest rate and index-linked swap counterparties for the insertion of the super senior facility and extension of the debt and are integral to the related interest rate and index-linked swaps. The fees are considered integral to the original swap. These have been presented separately to reflect the impact of the restructuring.

² Bank overdraft as at 31 March 2025 largely reflects the impact of a committed BACs run, where payment initiation happened on 28 March 2025 and cash settlement occurred on 1 April 2025. This presentation follows our accounting policy, whereby committed payments are accounted for on the date the payment instruction is committed, which may be in advance of the cash settlement. £72.2 million of cash held in a pre-funding account was sufficient to cover the cash outflows on the settlement date.

Fair value measurements

Refer to Significant accounting judgements and key sources of estimation uncertainty on pages 72 to 74 for accounting estimates and judgement – valuation of derivatives giving details of the Fair value measurements methodology and changes in Level 2 and Level 3 instruments for the Group.

Management believe the assumptions used in the valuation of derivatives are reasonable, although the credit related assumptions are not based on observable inputs. 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, see the sensitivity to recovery rate assumptions in the 'own credit risk sensitivity analysis' set out within this note.

The table below sets out the valuation basis of financial instruments (excluding cash and cash equivalents – money market funds which are classified as Level 1) held at fair value through profit or loss as at 31 March 2025:

As at 31 March	Level 2/3 ¹²	
	Audited 2025 £m	Unaudited* 2024 £m
Financial assets – derivative financial instruments		
Cross currency swaps	55.9	92.1
Interest rate swaps	211.2	247.6
Index-linked swaps	33.0	48.6
	300.1	388.3
Financial liabilities – derivative financial instruments		
Cross currency swaps	(120.0)	(107.4)
Interest rate swaps	(248.6)	(288.9)
Index-linked swaps	(1,257.2)	(1,339.6)
Consent fee derivatives	(92.5)	-
	(1,718.3)	(1,735.9)
Net total	(1,418.2)	(1,347.6)

¹ 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.

² Cross currency swaps, interest rate swaps and index linked swaps are Level 3 (31 March 2024: Level 2). Consent fee derivatives were issued in the year as part of the financial restructuring; these are considered integral to the original swap as the cashflows depend on their mark to market value. Therefore, the swap fees and original swap are a single unit of account and also Level 3. These have been presented separately to reflect the impact of the restructuring.

Notes to the consolidated financial statements (continued)

18. Financial instruments (continued)

Comparison of fair value of financial instruments with their carrying amounts

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

Financial assets:

As at 31 March	Audited 2025		Unaudited* 2024	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Non-current				
Derivative financial instruments				
Cross currency swaps	55.9	55.9	61.6	61.6
Interest rate swaps	211.2	211.2	245.1	245.1
Index-linked swaps	33.0	33.0	48.6	48.6
Trade and receivables (excluding non-financial assets)	45.1	45.1	40.0	40.0
	345.2	345.2	395.3	395.3
Current				
Cash and cash equivalents	306.4	306.4	1,281.2	1,281.2
Trade and other receivables (excluding non-financial assets)	458.0	458.0	467.1	467.1
Derivative financial instruments	-	-		
Cross currency swaps	-	-	30.5	30.5
Interest rate swaps	-	-	2.5	2.5
	764.4	764.4	1,781.3	1,781.3
Total	1,109.6	1,109.6	2,176.6	2,176.6

Financial liabilities:

As at 31 March	Audited 2025		Unaudited* 2024	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Non-current				
Borrowings				
Secured bank loans and private placements	(5,548.0)	(3,751.4)	(4,473.1)	(2,717.3)
Bonds	(11,103.9)	(7,776.0)	(10,953.4)	(9,002.8)
Amounts owed to group undertakings	(2,282.2)	-	(2,282.2)	(1,141.1)
Interest payable on borrowings	(1,356.2)	-	(817.7)	(570.4)
Derivative financial instruments				
Cross currency swaps	(62.8)	(62.8)	(107.4)	(107.4)
Interest rate swaps	(248.6)	(248.6)	(288.9)	(288.9)
Index-linked swaps	(1,248.2)	(1,248.2)	(1,094.2)	(1,094.2)
Consent fee derivatives	(92.5)	(92.5)	-	-
Lease liabilities	(46.7)	(46.7)	(45.2)	(45.2)
	(21,989.1)	(13,226.2)	(20,062.1)	(14,967.3)
Current				
Borrowings				
Secured bank loans and private placements	-	-	(531.7)	(1,777.9)
Bonds	-	-	(147.8)	(144.7)
Amounts owed to group undertakings	-	-	(323.1)	(161.6)
Interest payable on borrowings	(324.1)	(324.1)	(242.5)	(242.5)
Derivative financial instruments				
Cross currency swaps	(57.2)	(57.2)	-	-
Index-linked swaps	(9.0)	(9.0)	(245.4)	(245.4)
Trade and other payables (excluding non-financial liabilities)	(988.5)	(988.5)	(899.9)	(899.9)
Lease liabilities	(6.5)	(6.5)	(7.8)	(7.8)
Bank overdraft ¹	(71.2)	(71.2)	(126.7)	(126.7)
	(1,456.5)	(1,456.5)	(2,524.9)	(3,606.5)
Total	(23,445.6)	(14,682.7)	(22,587.0)	(18,573.8)

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

18. Financial instruments (continued)

Comparison of fair value of financial instruments with their carrying amounts (continued)

¹ Bank overdraft as at 31 March 2025 largely reflects the impact of a committed BACs run, where payment initiation happened on 28 March 2025 and cash settlement occurred on 1 April 2025. This presentation follows our accounting policy, whereby committed payments are accounted for on the date the payment instruction is committed, which may be in advance of the cash settlement. £72.2 million of cash held in a pre-funding account was sufficient to cover the cash outflows on the settlement date.

The fair value of borrowings is represented by the market value of the publicly traded underlying liquid bonds (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 (Super Senior, Class A or Class B) is applied. Foreign currency values are translated at the spot rate. Accrued interest is then added. Traded bond prices are not necessarily reliable indicators of a final outcome, given bond prices are inherently speculative, reflect credit risk and are not reflective of fundamental value during periods of forced selling by investment grade bond portfolios post a credit rating downgrade to sub-investment grade.

Capital risk management

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

The Group's key objectives in managing capital are:

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

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

Derivative financial instruments are used, where appropriate to manage the risk of fluctuations in interest rates, inflation and foreign exchange rates. No open or speculative positions are taken, although consent fee derivatives, which are integrally linked to interest rate and inflation-linked swaps, represent a liability and are not a hedge. The Group is part of a Whole Business Securitisation (WBS) group of companies. The other companies in the securitisation group (TWUL and TWUF) guarantee the funding activity of each other, and the Company guarantees the funding activity of TWUL and TWUF, which raise debt finance in external debt markets through the issuance of secured bonds and the entry into loans. The securitisation group is usually required to comply with certain covenants, although these are suspended during the stable platform period, which commenced on 25 February 2025 and will apply until the next senior debt maturity date (currently 22 March 2027), which include, amongst others:

- Interest cover ratios,
- Gearing ratios,
- An obligation to manage the maturity profile of debt arrangements.
- An obligation to manage the proportion of future interest cost which is fixed and/or index-linked
- Unsecured debt ratios

The securitisation group complied with these ratios throughout the financial year with the exception of Class A interest cover and senior interest cover which were Trigger Events based on actual or forecast figures in the 31 March 2024 and 30 September 2024 compliance certificates and for the actual and forecast Class A gearing in the 30 September 2024 compliance certificate. A Trigger Event is deemed to be continuing during the stable platform period.

Between October 2024 and February 2025, the Company executed a financial restructuring programme that resulted in an additional £1.5 billion debt facility from creditors via TWUL's new additional financing subsidiary, TWSSI. There is an appeal process ongoing in relation to the court-sanctioned restructuring plan meaning the conditions precedent on the facility have not been met, and TWSSI is only able to draw upon the facility following a creditor consent for each drawdown. A further £1.5 billion super senior facility may be made available by creditors to TWSSI under two accordion facilities of £750 million each, although these are currently uncommitted. £71 million of the original £1.5 billion facility is only available for drawing once the full accordion is drawn, following an amendment to the terms at the time of the first drawdown relating to a subset of non-participating lenders in that drawdown.

A Backstop Agreement was entered into with a subset of creditors, to ensure that the Group could secure the £1.5 billion Super Senior Facility. The backstop fee of £52.5million, which is 3.5% of the Super Senior Funding, was known at 31 March 2025. However, the timing of the payment is linked to conditions relating to the ending of the ongoing appeal or no later than 30 June 2025. As at 14 July 2025, £715 million of the £1.5 billion Super Senior Facility has been drawn and a portion of the backstop fees were netted from the proceeds in settlement. Following the ending of the Transaction Support Agreement, which was terminated on 29 June 2025, the backstop fees became payable on 29 June 2025, although a portion of the fees remain unpaid as at 21 July 2025. A waiver request from creditors which passed on 14 July 2025 sets the 'Initial Funding Date' to be 10 April 2025 and permits the remaining backstop fees to be settled on the date of the next drawdown under the Super Senior Facility, in late July 2025. When paid, the fee is accounted for as a commitment fee for a facility that is expected to be drawn, it is then incorporated into the amortised cost of the resulting borrowing. We have therefore not accrued this fee at 31 March 2025.

Notes to the consolidated financial statements (continued)

18. Financial instruments (continued)

Capital risk management (continued)

Note that TWUL is not permitted to drawdown under its on-loan facility from TWSSI after 31 July 2025 unless a lock-up agreement is in place supported by 66⅔% of Class A and 66⅔% of super senior lenders (with an exception of £126 million approved for August 2025). Unless extended with the agreement of creditors, this is a significant liquidity risk to TWUL and therefore to the Group. As part of the court-sanctioned restructuring plan, additional covenants were introduced into the WBS documentation, which include:

- provision of a 13 week cash flow forecast to creditors and their advisors with each drawdown request by TWUL on its facility with TWSSI
- the 13 week cash flow forecast should not show negative liquidity after 31 August 2025 or, following a CMA reference, 28 February 2026
- no voluntary prepayments of Class A or Class B debt or early swap terminations (aside from cash settlement of cross currency swaps at maturity) no upstream distributions aside from VAT rebates or payments for services up to £5 million per annum are permitted
- engaging with creditors to develop a creditor-led recapitalisation in which reasonable endeavours to enable secured creditors to participate
- two restructuring independent NEDS to be appointed to the TWUL Board

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

As at 31 March	Audited 2025 £m	Unaudited* 2024 £m
Secured bank loans and private placements	(5,548.0)	(5,004.8)
Bonds	(11,103.9)	(11,101.2)
Amounts owed to group undertakings	(2,282.2)	(2,282.2)
Lease liability	(53.2)	(53.0)
Bank overdraft	(71.2)	(126.7)
Interest payable on borrowings	(1,680.3)	(1,383.3)
	(20,738.8)	(19,951.2)
Cash and cash equivalents	306.4	1,281.2
Net debt (statutory basis)	(20,432.4)	(18,670.0)
<i>Reconciliation to net debt (covenant basis)</i>		
Interest payable on borrowings	1,680.3	1,383.3
Amounts owed to group undertakings	2,282.2	2,282.2
Unamortised debt issuance costs and discount	(86.7)	(92.2)
Relevant derivative financial liabilities (Accretion and FX)	(1,163.8)	(1,122.8)
Unamortised IFRS 9 fair value adjustment	(21.7)	(4.3)
Unamortised IFRS 9 transition adjustment	21.8	22.5
Bank overdraft not relevant for covenant	71.2	126.7
Cash (not relevant)/relevant for covenant	(75.5)	3.3
Net debt (covenant basis)	(17,724.6)	(16,071.3)
Equity attributable to owners of the Group	(3,199.4)	(2,780.8)

Net debt (covenant basis) excludes accrued interest, amounts owed to group undertakings, unamortised debt issuance costs and discounts, and unamortised IFRS 9 adjustment; and includes relevant derivative financial liabilities related solely to accretion on index-linked swaps and the effect of movement in foreign exchange rates on cross currency swaps held in the Group. Bank overdraft is not relevant for covenant purposes (reflecting the impact of committed external payments where cash settlement occurred on 1 April 2025 and for which cash held in a pre-funding account was sufficient to cover the cash outflows on the settlement date, and is excluded for covenant purposes), and cash is added for covenants purposes (which is based on cash and investments whereas the accounting definition adjusts for other items). Note that the testing of the gearing ratio covenant, which is based on Net debt (covenant basis), is suspended during the stable platform period which commenced on 25 February 2025 and will apply until the next senior debt maturity date (currently 22 March 2027).

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

18. Financial instruments (continued)

Reconciliation of liabilities arising from financing activities

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

As at 31 March	Audited 2025			Unaudited* 2024		
	Borrowings	Net derivative financial liabilities	Lease liabilities	Borrowings	Net derivative financial liabilities	Lease liabilities
	£m	£m	£m	£m	£m	£m
Opening balance	(19,771.7)	(1,347.6)	(53.0)	(19,250.7)	(1,542.7)	(57.0)
Non-current	(18,526.6)	(1,135.2)	(45.2)	(17,340.8)	(1,507.5)	(49.7)
Current	(1,245.1)	(212.4)	(7.8)	(1,909.8)	(35.2)	(7.3)
Cash flows						
New loans raised ¹	(1,167.1)	-	-	(3,097.4)	-	-
Repayment of borrowings	790.0	-	-	2,661.4	-	-
Repayment of lease principal	-	-	11.1	-	-	10.2
Proceeds from derivative settlement ²	-	(19.8)	-	-	(28.4)	-
Payment for derivative settlement ³	-	278.7	-	-	171.8	-
Interest paid ⁴	601.0	-	-	557.6	-	-
Interest received ⁵	-	(151.9)	-	-	(138.8)	-
	223.9	107.0	11.1	121.6	4.6	10.2
Non-cash changes						
Interest accrued / Fees amortised	(1,004.6)	139.4	-	(773.9)	155.7	-
Foreign exchange movement	79.3	-	-	124.6	-	-
Indexation	(141.6)	-	-	(240.1)	-	-
Unamortised IFRS 9 fair value adjustment	(0.4)	-	-	4.3	-	-
Unamortised IFRS 9 transition adjustment	0.7	-	-	0.7	-	-
Fair value changes	-	(317.0)	-	-	34.8	-
Lease additions	-	-	(7.8)	-	-	(3.1)
Interest accrued for IFRS 16 leases	-	-	(3.5)	-	-	(3.1)
Loan and interest settlement (non-cash) ⁶	-	-	-	241.8	-	-
	(1,066.6)	(177.6)	(11.3)	(642.6)	190.5	(6.2)
Closing balance	(20,614.4)	(1,418.2)	(53.2)	(19,771.7)	(1,347.6)	(53.0)
Non-current	(20,290.3)	(1,352.0)	(46.7)	(18,526.6)	(1,135.2)	(45.2)
Current	(324.1)	(66.2)	(6.5)	(1,245.1)	(212.4)	(7.8)

¹New loans raised are show net of fees of £3.7 million (2024: £2.0 million)

²Proceeds from derivative settlement of £19.8 million (2024: £28.4 million) includes £19.8 million (2024: £28.4 million) relating to settlement of cross currency swaps.

³Payment for derivative settlement of £278.7 million (2024: £171.8 million) includes £143.5 million (2024: £152.0 million) relating to accretion paydown on index-linked swaps and £135.2 million (2024: £19.8 million) relating to settlement of swaps.

⁴Interest paid on borrowings of £601.0 million (2024: £557.6 million) includes £187.1 million of capitalised borrowing costs (2024: £159.4 million) and excludes £0.5 million of bank charges (2024: £0.2 million) and £0.2 million other interest expense (2024: £0.2 million), resulting in interest paid per the consolidated Statement of Cash Flows of £414.6 million (2024: 397.8 million).

⁵Interest received on net derivative financial liabilities of £151.9 million (2024: £138.8 million) excludes £49.3 million interest received on bank deposits (2024: £51.0 million) and £0.5 million other interest income (2024: £0.7 million), resulting in interest received per the consolidated Statement of Cash Flows of £201.7 million (2024: £190.5 million).

⁶ £241.8 million loan interest and principal settlement was by way of net settlement deed, and therefore there was no cashflow on this transaction. £29.9 million was allocated against repayment of borrowings and £211.9 was allocated against interest paid to TWL.

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

18. Financial instruments (continued)

Financial risk management

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

Market risk

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

Audited: As at 31 March 2025:	Total at fixed rates £m	Total at floating rates £m	Total at RPI linked rates £m	Total £m
Interest bearing loans and borrowings	7,059.1	2,102.9	8,636.3	17,798.3
Net of corresponding swap assets				
- £ Sterling				
Unaudited* As at 31 March 2024:	Total at fixed rates £m	Total at floating rates £m	Total at RPI linked rates £m	Total £m
Interest bearing loans and borrowings				
Net of corresponding swap assets				
- £ Sterling	6,278.7	1,399.8	9,532.1	17,210.6

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

Year ended 31 March	Weighted average interest rate		Weighted average period until maturity	
	Audited 2025 %	Unaudited* 2024 %	Audited 2025 Years	Unaudited* 2024 Years
Fixed	4.9	5.1	11.9	11.4
Index-linked	5.4	6.8	17.3	15.6

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

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

Interest rate risk sensitivity analysis

The Group holds both fixed and floating rate borrowings. Fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. Floating rate borrowings are exposed to a risk of change in interest cash flows due to changes in interest rates. The Group uses interest rate swaps which economically hedge future cash flows to protect against interest rate movements. For details of the interest rate swaps where hedge accounting has previously applied, please see the 'Cash flow hedges' section of this note on page 106.

The table below summarises the impact, on pre-tax profits, of an absolute 1% increase or decrease in GBP interest rates at 31 March 2025. This analysis considers the effect on the fair value of derivative instruments and assumes that all other variables, in particular exchange rates and inflation expectations, remain constant.

As at 31 March	Audited 2025	Audited 2025	Unaudited* 2024	Unaudited* 2024
	+1% £m	-1% £m	+1% £m	-1% £m
Profit/(loss)	300.4	(342.8)	333.6	(364.4)
Equity	300.4	(342.8)	333.6	(364.4)

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

18. Financial instruments (continued)

Financial risk management (continued)

Exchange rate sensitivity analysis

The Group's foreign currency risk exposure results from debt raised in currencies other than sterling. The Group uses cross currency swaps to economically hedge the foreign currency exposure of bonds issued in a foreign currency. All economic hedges are undertaken for commercial reasons with the objective of minimising the impact of exchange rate fluctuations. Due to the extension of debt maturities on 25 February 2025 without a corresponding extension to swaps, there was an unhedged USD position in relation to the USPP originally due to mature in March 2025.

The table below summarises the impact of changes in the year end valuations of financial assets and liabilities denominated in foreign currency on pre-tax profits of a 10% strengthening or weakening of GBP (£) against the respective currencies in which the financial assets and liabilities are denominated at 31 March 2025. This analysis assumes that all other variables in the valuation remain constant.

As at 31 March	Audited 2025	Audited 2025	Unaudited* 2024	Unaudited* 2024
	+10% £m	-10% £m	+10% £m	-10% £m
(Loss)/profit	17.4	(46.2)	6.6	(50.7)
Equity	17.4	(46.2)	6.6	(50.7)

Inflation risk sensitivity analysis

The Group has entered into financial instruments that are directly linked to inflation including RPI linked bonds, loans and swaps. In addition, the Group as a regulated water and wastewater Group is subject to fluctuations in its revenues due to movements in inflation. Therefore, the Group's RPI linked borrowings and swaps form a partial economic hedge as the assets and liabilities partially offset.

The table below summarises the impact on pre-tax profits of a 1% increase or decrease in inflation rates on financial instruments at 31 March 2025. This analysis assumes that all other variables, in particular exchange rates, remain constant.

As at 31 March	Audited 2025	Audited 2025	Unaudited* 2024	Unaudited* 2024
	+1% £m	-1% £m	+1% £m	-1% £m
(Loss)/profit	(595.8)	528.9	(549.1)	488.1
Equity	(595.8)	528.9	(549.1)	488.1

Own credit risk sensitivity analysis

Refer to significant accounting judgements and key sources of estimation uncertainty on pages 69 to 77.

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

- £52.7 million increase in profit, using the same credit spread assumptions, meaning a different probability of default is implied
- £114.6 million increase in profit, using the same probability of default assumptions, meaning a different credit spread assumption has been applied.

Credit risk

Credit risk relates to the potential financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from the Group's trade receivables, contract assets, its loans to its immediate parent entity TWL, insurance receivables, short-term investments and cash flows receivable from counterparties to the derivative financial instruments.

The Group has a statutory obligation to provide water and sewerage services to customers within its region. For household customers, due to the large area served by the Group and the significant number of households within this area, there is considered to be no concentration of trade receivables credit risk; however, the Group's credit control policies and procedures are in place to minimise the risk of bad debt arising from its household trade receivables. Amounts provided against trade receivables and movements in the provision in the year are disclosed in note 14. For non-household customers, the Group's credit risk lies with a small number of retailers rather than the end user and exposure to retailer default would be limited due to regulatory conditions that exist within the non-household market which aim to mitigate risks in relation to wholesaler creditworthiness.

Under the terms of the WBS agreement, counterparties to the Group's short-term investments and derivative transactions have to meet minimum credit rating criteria as assigned by both Moody's and S&P. For derivative counterparties, there is a mechanism for the counterparty to post collateral when the counterparty fails to meet the necessary credit rating criteria and amounts due to the Group under outstanding derivative contracts exceed a contractually agreed threshold amount. The Group's maximum exposure to credit risk is the carrying amount of financial assets and contract assets recorded in the financial statements, which is net of impairment losses, less collateral held under the terms of the Whole Business Securitisation agreement. During the year ended 31 March 2025, no collateral was held (2024: nil).

The following table summarises the amounts held as cash at bank and in hand, in money market funds and short-term investments by credit rating of counterparties.

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

18. Financial instruments (continued)

Credit risk (continued)

As at 31 March	Audited 2025 £m	Unaudited* 2024 £m
AAA	147.7	1,266.2
A+	128.8	15.0
A	29.9	-
Total	306.4	1,281.2

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

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

As at 31 March	Audited 2025 £m	Unaudited* 2024 £m
AA-	68.3	57.4
A+	216.1	301.8
A	15.7	29.1
Total	300.1	388.3

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages long-term liquidity by maintaining continuity of funding through access to different markets and debt instruments, raising funds in the capital markets and ensuring that manageable debt maturity profiles are maintained. Details of the Group's borrowings are disclosed in note 17.

As mentioned in the accounting judgement – current / non-current classification of borrowings section on page 76 on 25 February 2025 the maturity dates of all debt were extended by two years, with the maturity dates reverting when, amongst other requirements, the Group reaches two investment grade ratings. Management have used the contractual maturities for the purposes of presenting the maturity profile of interest bearing loans and borrowings and anticipated future cash flows of non-derivative financial liabilities disclosed below. The impact of break clauses has been reflected only for one transaction where notice of the exercise of the break clause has been given.

On the same day, a £1.5 billion super senior facility was entered into by a new financing subsidiary of the Group, Thames Water Super Senior Issuer (TWSSI). However, there are certain conditions precedent relating to the ongoing appeal period and the Group are continuing to seek consent and waivers to access this facility and draw down in tranches in line with TWUL's liquidity needs. The first drawdown consent and waiver processes had commenced by 31 March 2025, however the facility remained undrawn at year end.

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

The maturity dates of the Group's debt are shown below:

As at 31 March	Audited 2025 £m	Unaudited* 2024 £m
Within one year ¹	(409.9)	(2,262.3)
Between one and two years	(1,854.2)	(557.1)
Between two and three years	(1,291.4)	(535.2)
Between three and four years	(1,918.1)	(1,785.8)
Between four and five years	(13,461.1)	(730.5)
After more than five years	(409.9)	(12,517.3)
Total	(19,344.6)	(18,388.2)

¹On 25 February 2025 all undrawn revolving credit facilities were cancelled and the drawn down element converted to term loans. Therefore £nil (2024: £1,355.7 million) of the amount due within one year relates to revolving credit facility drawdowns that can be rolled over.

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

18. Financial instruments (continued)

Liquidity risk (continued)

Cash flows from non-derivative financial liabilities

The maturity profile of the anticipated future cash flows including interest in relation to the Group's non-derivative financial liabilities on an undiscounted basis (excluding non-current trade payables and amounts owed to group undertakings), which, therefore, differs from both the carrying value disclosed in the statement of financial position and fair values, is as follows:

As at 31 March	Audited 2025 £m	Unaudited* 2024 £m
Undiscounted amounts payable		
Within one year ¹	(1,622.5)	(3,445.8)
Between one and two years	(1,138.7)	(1,148.8)
Between two and three years	(2,896.4)	(1,051.4)
Between three and four years	(1,685.5)	(2,326.9)
Between four and five years	(2,380.6)	(1,203.4)
After more than five years	(23,707.2)	(21,366.7)
Total	(33,430.9)	(30,543.0)

¹ On 25 February 2025 all undrawn revolving credit facilities were cancelled and the drawn down element converted to term loans. Therefore £nil (2024: £1,355.7 million) of the amount due within one year relates to revolving credit facility drawdowns that can be rolled over.

Cash flows from derivative financial instruments

The maturity profile of the Group's financial derivatives (which include interest rate swaps, cross currency swaps and index-linked swaps together with the integral consent fee derivatives), based on undiscounted cash flows, is as follows:

As at 31 March	Audited 2025 £m	Unaudited* 2024 £m
Undiscounted amounts payable		
Within one year	(35.5)	(142.9)
Between one and two years	109.4	77.5
Between two and three years	16.7	124.8
Between three and four years ¹	(316.1)	(2.0)
Between four and five years ¹	(391.5)	(295.3)
After more than five years ¹	(2,097.9)	(2,455.6)
Total	(2,714.9)	(2,693.5)

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

Cash flow hedges

The Group had designated a number of contracts which qualified, in accordance with IFRS 9: Financial Instruments, as cash flow hedges. The accounting policy on cash flow hedges is explained on page 63.

In mid-2014 TWUL executed £2.25 billion of forward-starting floating to fixed interest rate swaps of a 5-7 year maturity with various financial institutions to fix the future interest costs of an element of the new debt to be issued from 2017 to 2020. The accumulated gain or loss in the cashflow hedge reserve was being released over the life of the relevant hedging period.

As at 31 March 2025, all the hedged debt had matured and £2.8 million (2024: £18.7 million) was recycled from the cash flow hedge reserve to the Income Statement, see the Statement of Changes in Equity on page 48 resulting in the closing cash flow hedge reserve of nil (2024: £2.1 million, offset by £0.7 million deferred tax).

The Group's cash flow hedge reserve disclosed on the 'Statement of changes in equity' on page 48 relate to forward starting interest rate swaps which have commenced.

Cash flow hedge reserve	£m
Unaudited*: At 1 April 2023	(16.1)
Cash flow hedge transferred to income statement	18.7
Deferred tax charge on cash flow hedges	(4.7)
Unaudited*: At 31 March 2024	(2.1)
Cash flow hedge transferred to income statement	2.8
Deferred tax charge on cash flow hedges	(0.7)
Audited: At 31 March 2025	-

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

18. Financial instruments (continued)

Cash flow hedges (continued)

The following are the effects of forward starting interest rate swaps which have commenced on the Group's financial position and performance:

As at 31 March	Audited 2025 £m	Unaudited* 2024 £m
<i>Quantitative</i>		
Cash flow hedge transferred to income statement	2.8	18.7
As at 31 March	2025	2024
<i>Qualitative</i>		
Line item affected in income statement due to reclassification	Net (losses)/gains on financial instruments	Net gains on financial instruments

The table below shows phasing of amounts to be reclassified to the income statement from the cash flow hedge reserve, which relates to the Group's forward starting interest rate swaps which have commenced:

As at 31 March	Audited 2025 £m	Unaudited* 2024 £m
<i>Interest rate swaps</i>		
Within one year	-	(2.8)
Total	-	(2.8)

Offsetting financial assets and financial liabilities

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

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

The following table presents the recognised financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset in the financial statements, as at 31 March 2025 and 31 March 2024. The column 'net amount' shows the impact on the consolidated statement of financial position if circumstances arose for set-off rights to be applied.

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

18. Financial instruments (continued)

Offsetting financial assets and financial liabilities (continued)

Audited: As at 31 March 2025	Effects of offsetting on the Consolidated Statement of Financial Position				
	Gross amounts	Amounts set off	Net amounts presented on consolidated Statement of Financial Position	Impact of master netting arrangements	Net amounts
	£m	£m	£m	£m	£m
Financial assets					
Derivative financial instruments	300.0	-	300.0	(240.6)	59.4
Financial liabilities					
Derivative financial instruments	(1,718.2)	-	(1,718.2)	309.9	(1,408.3)
	(1,718.2)	-	(1,718.2)	309.9	(1,408.3)
Total	(1,418.2)	-	(1,418.2)	69.3	(1,348.9)

Unaudited*: As at 31 March 2024	Effects of offsetting on the Consolidated statement of financial position				
	Gross amounts	Amounts set off	Net amounts presented on consolidated statement of financial position	Impact of master netting arrangements	Net amounts
	£m	£m	£m	£m	£m
Financial assets					
Derivative financial instruments	388.3	-	388.3	(298.7)	89.6
	388.3	-	388.3	(298.7)	89.6
Financial liabilities					
Derivative financial instruments	(1,735.9)	-	(1,735.9)	298.7	(1,437.2)
	(1,735.9)	-	(1,735.9)	298.7	(1,437.2)
Total	(1,347.6)	-	(1,347.6)	-	(1,347.6)

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

18. Financial instruments (continued)

IBOR reform

The following table contains details of all of the financial instruments that the Group holds at 31 March 2025 and 31 March 2024 with an interest rate linked to GBP LIBOR which have not yet transitioned to SONIA or an alternative interest rate benchmark:

	Carrying value at 31 March 2025		Of which: Have yet to transition to an alternative benchmark interest rate as at 31 March 2025	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Assets and liabilities exposed to GBP LIBOR				
<i>Fair value through profit or loss</i>				
Derivative financial instruments				
Index-linked swaps ¹	-	(69.3)	-	(69.3)
Total assets and liabilities exposed to GBP LIBOR	-	(69.3)	-	(69.3)
¹ Consists of £69.3 million index-linked swaps (in a fair value liability position) where the interest rate is not directly linked to LIBOR, however have LIBOR references in the documentation.				
	Carrying value at 31 March 2024		Of which: Have yet to transition to an alternative benchmark interest rate as at 31 March 2024	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Assets and liabilities exposed to GBP LIBOR				
<i>Fair value through profit or loss</i>				
Derivative financial instruments				
Index-linked swaps ¹	-	(98.3)	-	(98.3)
<i>Amortised cost</i>				
Borrowings ²	-	(168.2)	-	(168.2)
Total assets and liabilities exposed to GBP LIBOR	-	(266.5)	-	(266.5)

¹ Consists of £98.3 million index-linked swaps (in a fair value liability position) where the interest rate is not directly linked to LIBOR, however have LIBOR references in the documentation.

² Consists of £168.2 million relating to external debt where the interest rate is not directly linked to LIBOR, however has LIBOR references in the documentation. The facility was amended in April 2024 to remove LIBOR references.

19. Deferred tax

An analysis of movements in the deferred tax liabilities and assets recognised by the Group is set out below:

	Accelerated tax depreciation £m	Retirement benefits £m	Cash flow hedges £m	Tax losses carried forward £m	Other £m	Total £m
Unaudited*: At 1 April 2023	(1,462.8)	43.4	182.7	31.7	14.8	(1,190.2)
Credit/(charge) to income statement including impact of tax rate change	56.5	(11.0)	(112.4)	(31.7)	4.0	(94.6)
Charge to other comprehensive income	-	(5.9)	(4.7)	-	-	(10.6)
Unaudited*: At 31 March 2024	(1,406.3)	26.5	65.6	-	18.8	(1,295.4)
Credit/(charge) to income statement including impact of tax rate change	94.7	0.3	4.2	139.2	(8.3)	230.1
Charge to other comprehensive income	-	(5.2)	(0.7)	-	-	(5.9)
Audited: At 31 March 2025	(1,311.6)	21.6	69.1	139.2	10.5	(1,071.2)

Deferred taxes reflected in the financial statements at the balance sheet date have been measured using standard tax rate of 25% and are reflected in these financial statements.

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

19. Deferred tax (continued)

Deferred tax assets and liabilities have been offset in the balance sheet. The offset amounts, which are to be recovered/settled after more than 12 months, are as follows:

As at 31 March	Audited 2025 £m	Unaudited* 2024 £m
Deferred tax assets	240.4	110.9
Deferred tax liabilities	(1,311.6)	(1,406.3)
Net deferred tax liabilities	(1,071.2)	(1,295.4)

A deferred tax liability arises in respect of accelerated tax depreciation because the rate of tax relief specified in UK tax legislation on most of the Group's capital expenditure is quicker than the rate of accounting depreciation on that expenditure. These temporary differences unwind and affect current tax over the life of the relevant assets, but the continued high levels of capital investment within the Group mean that the temporary differences normally increase every year. This year, capital allowances claimed are less than accounting depreciation so the deferred tax liability arising in respect of accelerated tax depreciation has reduced.

Deferred tax assets have arisen on the following temporary differences:

- **Retirement benefit obligations:** A net deferred tax asset is recognised on the retirement benefit obligations booked in the financial statements. The £21.6 million deferred tax asset at 31 March 2025 is the net of an asset of £ 28.1 million (deficit on the TWPS pension scheme of £112.1 million at 25% tax rate) less a liability of £6.5 million (surplus on the TWMIPS pension scheme of £ 25.9 million at 25% tax rate). Current tax relief will be available in the future for pension contributions paid to reduce these obligations. Deferred tax movements will also arise on any non-cash changes in the obligations, for example those arising from actuarial valuations.
- **Cash flow hedges:** A deferred tax asset is provided on certain fair values booked in respect of financial instruments in the accounts. Current tax relief will be available in the future as the cash flows arise over the lives of the derivatives. Deferred tax movements will also arise on any non-cash changes in the fair value of the derivatives.
- **Tax losses:** Under IFRS, a deferred tax asset (DTA) is required to be set up in respect tax losses carried forward in the Company. This is because Thames Water Utilities Ltd (TWUL) has deferred tax liabilities (DTLs) in excess of other DTAs and the assumption under IFRS is that the future unwind of such DTLs would create sufficient future taxable profits to enable utilisation of the tax losses arising via group relief at the TWUHL group level. Therefore, a DTA of £139.2 million on £556.8 million tax losses carried forward at the 25% future CT rate has been recognised.
- **Other:** A deferred tax asset is provided on the temporary differences arising on amounts for which a tax deduction is spread over a number of years in accordance with tax legislation, including certain pension contributions. Current tax relief will be available in future when tax deductions are available in accordance with the legislation.

In the Spring Budget 2024, the Government announced that from 6 April 2024, the tax rate applicable to a pension fund surplus, such as on the TWMIPS scheme, will decrease from 35% to 25%. The effect of the change for the Group, has been a decrease to the net deferred tax liability by £3.3 million; and the tax charge in the Statement of Comprehensive Income would reduce by £ 3.3 million.

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

20. Provisions for liabilities and charges

	Insured liabilities £m	Capital infrastructure provision £m	Dilapidations £m	Environmental and legal provisions £m	Other provisions £m	Total £m
Unaudited*: At 1 April 2023	97.5	12.7	11.5	78.7	27.3	227.7
Utilised during the period	(29.0)	(2.8)	(0.3)	(4.0)	(21.8)	(57.9)
Additional provisions recognised	41.5	9.7	0.6	29.1	43.1	124.0
Unused amounts reversed	-	-	(1.3)	(9.3)	(8.5)	(19.1)
Unaudited*: At 31 March 2024	110.0	19.6	10.5	94.5	40.1	274.7
Reclass between categories	-	16.9	-	-	(16.9)	-
Utilised during the period	(20.6)	(8.2)	-	(1.6)	(9.7)	(40.1)
Additional provisions recognised	44.8	24.7	0.3	181.7	32.7	284.2
Unused amounts reversed	-	(1.8)	-	(13.7)	(5.9)	(21.4)
Audited: At 31 March 2025	134.2	51.2	10.8	260.9	40.3	497.4
Disclosed within non-current liabilities	25.2	24.3	3.0	147.4	31.8	231.7
Disclosed within current liabilities	109.0	26.9	7.8	113.5	8.5	265.7
Audited: Total at 31 March 2025	134.2	51.2	10.8	260.9	40.3	497.4

The Group needs to determine the merit of any litigation and the chances of a claim successfully being made, the likelihood and the ability to reliably estimate an outflow of economic benefits occurring, and whether there is a need to disclose a contingent liability or whether a provision is required based on this assessment. Contingent liabilities identified have been disclosed in note 24. The timing of settlement of provisions has been estimated based on the nature of the provision and informed by both timelines set and historical benchmarks. Amounts have been classified between current and non-current.

The insured liabilities provision arises from claims for which insurance is in place, including actual claims from third parties received by the Group and incidents incurred but without claims received. These amounts provided for represent the estimated cost of settlement. Where we have insurance cover for claims, we recognise the assessed reimbursement value from third-party insurance companies net of retentions. The receivable is disclosed in note 14. The provision is split between current and non-current based on management's estimate of the timing in which claims will be settled.

The capital infrastructure provision is to cover various potential third-party costs, including compensation claims, arising from the construction of infrastructure assets. The reclass between categories in the year has moved provisions raised in relation to the Thames Tideway Tunnel into the capital infrastructure category as it is deemed more appropriate. The provision is split between current and non-current based on management's estimate of the timing of when claims will be settled.

Dilapidations relate to our legal obligation to return several leased offices, industrial units and laboratories back to their pre-leased state. The estimate of this cost has been informed by our internal property surveyor. During the year, no leases were extended.

Environmental, legal and other regulatory provisions relate to legal claims including environmental and commercial matters. Environmental matters are in relation to TWUL's obligations under its Instrument of Appointment, the Water Industry Act 1991 and the Environmental Permitting Regulations 2016. Included within this is a provision recognised of £104.0 million related to Ofwat's investigation into non-compliance of our sewage treatment works, and a provision of £18.2 million related to Ofwat's investigation into dividends paid last financial year, which are both deemed an exceptional cost in line with our accounting policy. The amount is classified as current, given Ofwat's standard payment terms of 42 days. The Group is intending to agree a payment plan with Ofwat, but this has not yet been agreed at the time of approval of the accounts.

Other provisions relate to other claims and obligations of the Group. The amount recorded represents management's best estimate of the value to settle the obligations. Unused amounts reversed relate to previously recognised provisions where the value was reassessed, or it was concluded there is no longer an obligation for these. The provision is split between current and non-current based on management's estimate of the timing of when claims will be settled.

There are claims against the Group arising in the normal course of business, which are in the process of negotiation. Judgement is required in measuring and recognising provisions related to pending litigation or other outstanding claims that are subject to negotiated settlement or court assessment. This includes evaluating the likelihood that an outstanding claim will succeed and to quantify the possible range of any financial settlement and outflow of economic benefits. There is a risk that the final outcome of legal claims could be materially different to amounts provided – further details can be found within our accounting policies under our significant accounting judgements and key sources of estimation uncertainty.

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

21. Called up share capital and other reserves

Called up share capital

As at 31 March	Audited 2025			Unaudited* 2024		
	Underlying £m	BTL £m	Total £m	Underlying £m	BTL £m	Total £m
Authorised, allotted, called up and fully paid: 547,500,000 ordinary shares of £1 each (2024: 547,500,000 ordinary shares of £1 each)	547.5	-	547.5	547.5	-	547.5

The Company has one class of ordinary share which carries 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.

During the year ended 31 March 2024 an internal inflation mechanism pension contribution payment of £20.4 million for the Thames Water Pension Scheme and Thames Water Mirror Image Pension Scheme, defined benefit schemes, was made by Kemble Water Eurobond plc, on behalf of Thames Water Utilities Limited, recorded through intercompany transactions with a resultant intercompany receivable balance being recorded in Thames Water Limited from the Company. In September 2023, the Company issued 20,428,000 shares with a nominal value of £1 each to Thames Water Limited, in exchange for the extinguishment of the intercompany payable owed to Thames Water Limited, for a total value of £20.4 million.

Furthermore, in March 2024 a further internal inflation mechanism pension contribution payment of £27.1 million for the Thames Water Pension Scheme and Thames Water Mirror Image Pension Scheme, defined benefit schemes was made by Kemble Water Eurobond plc, on behalf of Thames Water Utilities Limited, recorded through intercompany transactions with a resultant intercompany receivable balance being recorded in Thames Water Limited from the Company. In March 2024, the Company issued 27,072,000 shares with a nominal value of £1 each to Thames Water Limited, in exchange for the extinguishment of the intercompany payable owed to Thames Water Limited, for a total value of £27.1 million.

Other reserves

As at 31 March	Audited 2025			Unaudited* 2024		
	Underlying £m	BTL £m	Total £m	Underlying £m	BTL £m	Total £m
Cash flow hedge reserve	-	-	-	(2.1)	-	(2.1)
Revaluation reserve	748.6	-	748.6	770.9	-	770.9
(Accumulated losses)/retained earnings	(5,154.2)	658.7	(4,495.5)	(4,574.8)	477.7	(4,097.1)
Total	(4,405.6)	658.7	(3,746.9)	(3,806.0)	477.7	(3,328.3)

The revaluation reserve reflects the revaluation of infrastructure assets to fair value on transition to IFRS in the FY2015/16 year, net of deferred tax. The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

22. Retirement benefit obligations

Background

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

	What are they?	How do they impact the financial statements?
Defined Contribution Scheme This scheme was set up in April 2011 and was managed through Standard Life. From October 2020, this is now managed through Aon MasterTrust. This scheme is open to all employees of the Group that are not members of the defined benefit pension schemes.	In a defined contribution pension scheme, the benefits are linked to: - contributions paid; - the performance of the individual's chosen investments; and - the form of benefits.	A charge of £34.1 million (2024: £33.9 million) was recognised in the income statement relating to the contributions payable by the Group based upon a fixed percentage of employees' pay. There were £4.8 million of outstanding contributions (2024: £4.4 million) at the year-end recognised in the statement of financial position. The Group has no exposure to investment or other experience risks.
	What are they?	How do they impact the financial statements?
Defined Benefit Schemes Defined benefit arrangements for the Group's eligible employees are provided through two defined benefit pension schemes: - Thames Water Pension Scheme (TWPS); and - Thames Water Mirror Image Pension Scheme (TWMIPS). Both now are career average pension schemes. Their assets are held separately from the rest of the Kemble Water Holdings Limited Group in funds in the United Kingdom which are independently administered by the pension trustees. TWMIPS has been closed to new entrants since 1989 and TWPS since April 2011. Both schemes are closed to new employees. TWPS was closed to future accrual as of 31 March 2021.	In a defined benefit pension scheme, the benefits: - are defined by the scheme rules; - depend on a number of factors including age, years of service and pensionable pay; and - do not depend on contributions made by the members or the Group.	A charge was recognised in the income statement of £10.3 million (2024: £10.5 million) relating to the following: - service cost representing the increase in the defined benefit liability arising from pension benefits earned by active members in the current period; - administrative expenses for the pension schemes; and - the net interest expense on pension scheme assets and liabilities. An actuarial gain of £21.0 million (2024: gain of £18.9 million) on the value of the pension scheme was recognised in the statement of other comprehensive income. This reflects the impact of changes in financial assumptions and the demographic assumptions when compared with those at the start of the year, as well as the return on the schemes' assets over and above the amount included in the net interest expense. A pension asset of £25.9 million (2024: £33.0 million surplus) is recognised in the statement of financial position for the TWMIPS scheme. A pension deficit of £112.1 million (2024: £152.1 million) is recognised in the statement of financial position for the TWPS scheme. As at 31 March 2025, the net pension deficit is £86.2 million (2024: £119.1 million). A company contribution of £22.2 million (2024: £48.5 million) was made during year ended 31 March 2025. The Group is exposed to investment and other experience risks. Where it is estimated that the benefits will not be met by regular contributions, assets held or expected investment income, additional contributions are being made by the Group.

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

22. Retirement benefit obligations (continued)

In addition to the cost of the defined benefit pension arrangements, the Group operates arrangements under which it augments benefits on retirement in certain cases of redundancy. These augmentations are funded by way of additional employer contributions to the schemes. In the year to 31 March 2025, these related payments amounted to £nil (2024: £nil).

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

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

Amounts recognised in the financial statements in respect of the defined benefit pension schemes

Income Statement

The amounts recognised in the Income Statement with respect to the defined benefit pension schemes are detailed below:

Year ended 31 March	Audited 2025		Unaudited* 2024	
	TWPS £m	TWMIPS £m	TWPS £m	TWMIPS £m
Current service cost	-	0.7	-	0.7
Scheme administration expenses	1.6	2.8	0.5	1.7
Net interest cost/(income)	6.7	(1.5)	8.2	(0.6)
Total	8.3	2.0	8.7	1.8

The net expense is recognised in the following captions within the Income Statement:

Year ended 31 March	Audited 2025		Unaudited* 2024	
	TWPS £m	TWMIPS £m	TWPS £m	TWMIPS £m
Operating expenses	1.6	3.5	0.5	2.4
Net finance expense/(income)	6.7	(1.5)	8.2	(0.6)
Total	8.3	2.0	8.7	1.8

Statement of other comprehensive income

Actuarial gains and losses on the defined benefit schemes have been recognised within other comprehensive income. An analysis of the amount presented is set out below:

Year ended 31 March	Audited 2025 £m	Unaudited* 2024 £m
Actual return less expected return on pension scheme assets	(149.6)	(103.6)
Experience (loss)/gain arising on scheme liabilities	(2.5)	78.5
Gain arising due to change in financial assumptions	189.0	24.5
(Loss)/Gain arising due to change in demographic assumptions	(15.9)	19.5
Total actuarial gain	21.0	18.9
Cumulative actuarial losses recognised	(398.5)	(419.5)

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

22. Retirement benefit obligations (continued)

Statement of Financial Position

The net pension liability recognised within the Statement of Financial Position is as follows:

As at 31 March	Audited 2025			Unaudited* 2024		
	TWPS £m	TWMIPS £m	Total £m	TWPS £m	TWMIPS £m	Total £m
Fair value of scheme assets	997.8	462.9	1,460.7	1,094.4	522.6	1,617.0
Present value of defined benefit obligations	(1,109.9)	(437.0)	(1,546.9)	(1,246.5)	(489.6)	(1,736.1)
(Deficit)/surplus	(112.1)	25.9	(86.2)	(152.1)	33.0	(119.1)
Net pension deficit	(112.1)	25.9	(86.2)			(119.1)

Reconciliation of defined benefit plan assets and liabilities

The movements in the present value of the defined benefit obligations were as follows:

	Audited 2025		Unaudited* 2024	
	TWPS £m	TWMIPS £m	TWPS £m	TWMIPS £m
At 1 April	1,246.5	489.6	1,327.5	532.1
Current service cost	-	0.7	-	0.7
Interest cost	58.9	22.8	62.4	24.7
Contributions from scheme members	-	-	-	-
Benefits paid	(61.4)	(39.6)	(53.2)	(35.6)
Actuarial gains	(134.1)	(36.5)	(90.2)	(32.3)
At 31 March	1,109.9	437.0	1,246.5	489.6

The movements in the fair value of scheme assets were as follows:

	Audited 2025		Unaudited* 2024	
	TWPS £m	TWMIPS £m	TWPS £m	TWMIPS £m
At 1 April	1,094.4	522.6	1,145.5	538.1
Interest income on scheme assets	52.2	24.3	54.2	25.3
Contributions by sponsoring employers	21.0	1.2	32.3	16.2
Administration costs paid from scheme assets	(1.6)	(2.8)	(0.5)	(1.7)
Benefits paid	(61.4)	(39.6)	(53.2)	(35.6)
Actuarial losses	(106.8)	(42.8)	(83.9)	(19.7)
At 31 March	997.8	462.9	1,094.4	522.6

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

22. Retirement benefit obligations (continued)

Analysis of assets

As at 31 March	Audited 2025				Unaudited* 2024			
	Quoted £m	Unquoted £m	Total £m	Total (%)	Quoted £m	Unquoted £m	Total £m	Total (%)
Equities	8.0	-	8.0	0.5				
UK	38.2	-	38.2	2.6	12.7	-	12.7	0.8
Rest of World					95.9	-	95.9	5.9
Bonds	25.7	-	25.7	1.8				
Government – UK	77.6	-	77.6	5.3	44.7	-	44.7	2.8
Government – Rest of World	48.0	-	48.0	3.3	110.8	-	110.8	6.9
Corporates – UK	158.6	42.6	201.2	13.8	43.7	-	43.7	2.7
Corporates – Rest of World					214.6	39.1	253.7	15.7
Property	-	-	-	-				
UK	-	-	-	-	-	-	-	-
Rest of world					-	-	-	-
Alternative assets	903.5	8.4	911.9	62.4				
Liability driven instruments	78.8	(0.1)	78.7	5.4	840.5	-	840.5	52.0
Other (including derivatives)					113.4	(0.8)	112.6	6.9
	67.6	-	67.6	4.6				
Cash	3.8	-	3.8	0.3	87.0	-	87.0	5.4
Other					15.4	-	15.4	0.9
Total market value of assets	1,409.8	50.9	1,460.7	100.0	1,578.7	38.3	1,617.0	100.0

The assets of the defined benefit schemes do not include any directly held shares issued by the Group or property occupied by the Group.

The Pension Trustees determine the investment strategy of the defined benefit pension schemes after taking advice from their investment advisor, Redington. 62.4% (2024: 52.0%) of the scheme assets are invested in Liability Driven Investment (LDI) portfolios managed by Schroder Investment Management Limited. The remaining portfolio of assets is invested in pooled investment vehicles in which the underlying breakdowns have been analysed to derive the table above. These use government bonds and derivative instruments such as interest rate swaps, inflation swaps and gilt repurchase transactions to hedge the impact of interest rate and inflation movements on the long-term liabilities of the schemes.

Under the LDI strategies, if interest rates fall, the value of investments rises to help match the increase in actuarial liabilities arising from the resulting fall in the discount rate. Similarly, if interest rates rise, the value of the LDI investments will fall, as will the liabilities, as a result of the increase in the discount rate. Interest rates and inflation risks are not fully matched by the LDI portfolios, representing the residual interest rate and inflation risk to which the schemes remain exposed.

In the current period, index-linked gilts amount to £1,039.9 million (2024: £292.1 million) and fixed interest gilts amount to £269.2 million (2024: £985.9 million) of the LDI total.

The credit risk arising on the derivatives held in the LDI mandate depends on whether the derivative is traded on an exchange or over the counter (OTC). OTC derivative contracts are not guaranteed by any regulated exchange and therefore the schemes are subject to risk of failure of the counterparty. The credit risk for OTC swaps held in the LDI portfolio is reduced by collateral arrangements and the counterparty exposure of each scheme is appropriately diversified.

IAS 19 Assumptions

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

Approach to set the assumptions	
Discount rate	As per IAS 19, the discount rate is determined using the market yields on high-quality corporate bonds as at the reporting date, with the currency and term of these bonds being consistent with the currency and term of the pension liabilities. The TWPS and TWMIPS discount rate is calculated by applying the projected cash flows of these schemes to an AA-rated corporate bond yield curve as at 31 March 2025.
RPI inflation	The RPI inflation assumption uses the inflation curve weighted by projected future cash flows of TWPS and TWMIPS, with an adjustment made for an inflation risk premium.
CPI inflation	This CPI inflation assumption is taken at a margin below RPI factoring in market forces and third-party estimates of the difference expected.
Salary increases	Both defined benefit schemes provide benefits on a Career Average (CARE) benefit structure whereby past entitlements are linked to movements in CPI; therefore, an assumption for increase in salary is not required.
Pension increases	It is assumed that benefits will increase in line with the RPI and CPI inflation assumptions detailed above, based on the appropriate index for increasing benefits.
Longevity	The mortality assumptions are based on standard mortality tables and the recent actual mortality experience of members within the schemes. The assumptions also allow for future improvements to mortality rates.

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

22. Retirement benefit obligations (continued)

Financial assumptions

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

As at 31 March	Audited 2025		Unaudited* 2024	
	TWPS	TWMIPS	TWPS	TWMIPS
Price inflation – RPI	3.10%	3.20%	3.20%	3.30%
Price inflation – CPI	2.70%	2.70%	2.80%	2.75%
Rate of increase to pensions in payment – RPI	3.10%	3.20%	3.20%	3.30%
Discount rate	5.80%	5.70%	4.85%	4.85%

Mortality assumptions

The mortality assumptions were based on the post-retirement mortality assumptions used for the previous financial year, but updated for the latest CMI 2020 model. The table below illustrates the life expectancies of an average member retiring at age 60 at the year end reporting data and a member reaching age 60 at the year end reporting date in 20 years.

As at 31 March	Audited 2025		Unaudited* 2024	
	TWPS Years	TWMIPS Years	TWPS Years	TWMIPS Years
<i>Life expectancy from age 60 – current age 60:</i>				
Male	26.7	25.7	26.7	25.8
Female	29.3	28.4	29.2	28.3
<i>Life expectancy from age 60 - current age 40:</i>				
Male	27.7	27.0	27.7	27.0
Female	30.3	30.0	30.2	29.9

Actuarial risk factors

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

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

The sensitivity of the present value of scheme liabilities to changes in the principal assumptions used is set out below. The impact of the 1% in the other direction would largely be the same, in the opposite direction, as the movement presented in the table:

As at 31 March	Audited 2025		Unaudited* 2024	
	TWPS £m	TWMIPS £m	TWPS £m	TWMIPS £m
<i>Change in assumptions resulting in a (decrease)/increase in liabilities</i>				
Change in discount rate (+ 1% p.a.)	(140.0)	(40.0)	(160.0)	(45.0)
Change in rate of inflation (- 1% p.a.)	(80.0)	(25.0)	(100.0)	(30.0)
Change in life expectancy (+ 1 year)	40.0	15.0	45.0	15.0

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

22. Retirement benefit obligations (continued)

Future expected cash flows

The Group made a pension deficit repair payment of £69.7 million on 30 March 2021 covering the financial years from 2021/22 to 2024/25, which was treated as an exceptional cash flow item in the year ended 31 March 2021. The average duration of the benefit obligation at the end of the year is 13 years for TWPS and 9 years for TWMIPS (2024: 14 years for TWPS and 10 years for TWMIPS).

In March 2024, the triennial valuation of TWMIPS and, in August 2024, the triennial valuation of TWPS as at 31 March 2022 were finalised and agreed with the Trustees and actuaries.

In order to address the combined funding deficit, the Group is scheduled to make future deficit repair payments (see tables below) to both schemes. These are cash payments made as agreed in the Statement of Contributions at the last triennial valuation period.

Year to 31 March	2025	2026	2027	2028	2029	2030
Deficit contributions TWPS (£m)	20.0	40.1	60.1	60.1	36.0	36.0

Year to 31 March	2025	2026	2027	2028	2029	2030
Deficit contributions TWMIPS (£m)	-	7.4	9.0	7.3	-	-

The payments for TWPS contributions are reviewable for RPI inflation each year.

The following internal inflation mechanism (IIM) payments are also scheduled to be made in the future for the TWPS scheme. The IIM was a mechanism introduced as an off-balance sheet inflation hedge, where the difference between IIM assumed inflation and market inflation on pension liabilities is spread as cash contributions over five years.

Year to 31 March	2025	2026	2027	2028	2029	2030
IIM TWPS (£m)	-	21.3	25.6	16.5	6.3	-

23. Capital commitments

As at 31 March	Audited 2025 £m	Unaudited* 2024 £m
Property, plant and equipment	822.0	901.6
Intangible assets	13.0	9.9
Total contracted for but not provided	835.0	911.5

In addition to these commitments, the Group has long-term capital investment plans, under its business plan submitted to Ofwat, to provide for future growth and maintenance of the infrastructure network. Capital commitments have decreased during the year as the projects with high commitments in the prior year are now at the end of the project life cycle. This coincides with the end of the Asset Management Period 7 (AMP7) in the financial year end 31 March 2025.

24. Contingent liabilities

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

1. Environment Agency Wastewater regulatory investigation

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

2. Collective proceeding in the Competition Appeal Tribunal

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

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

24. Contingent liabilities (continued)

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

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

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

4. WINEP – Ofwat

Ofwat issued TWUL a notice under section 203 of The Water Industry Act 1991 (WIA91) on 11 February 2025 requesting the production of documents and information in relation to potential delays in TWUL's delivery of the AMP7 WINEP schemes by the original PR19 delivery date and the potential effects this may have on the delivery of the AMP8 WINEP schemes. Ofwat is concerned that TWUL may have breached Condition P of its Licence, in addition to Section 94 of the WIA91 and Regulations 4 and 5 of the Urban Waste Water Treatment (England & Wales) Regulations 1994. TWUL responded to the notice on 14 March 2025 and is currently awaiting a response from Ofwat. The risk and consequences of formal enforcement action cannot be reliably determined at this time. Consequently, the outcome of this matter and the existence of any possible future financial consequences of the investigation is not yet conclusive.

Ofwat's regulatory enforcement powers include the potential imposition of an enforcement order, the acceptance of enforceable undertakings and/or the imposition of a financial penalty on the company of up to 10% of annual turnover of the relevant regulated business.

5. Industrial Emissions Directive (IED)

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

6. Turnover fees

A turnover agreement was entered into between TWUL, the Company and a subset of Class A lenders under which, in the event of a successful appeal of the court-sanctioned restructuring plan following which the super senior facility no longer ranks ahead of Class A debt, the Class A lenders agree to pass any funds received from their relevant Class A debt-holdings to super senior creditors. A fee is payable to the relevant Class A lenders in the event that a court gives permission for an appeal of the restructuring plan to be heard. The Group has paid £32 million into an escrow account which will either be used to pay the fee to Class A lenders, or if there is no permission to appeal the funds will be returned to the Group.

7. Deed of contribution

On 10 December 2024, a Deed of Contribution was signed, which makes the Company liable for half of TWUF's and TWUL's payments due to senior creditors directly, rather than as guarantor, if there is written demand by TWUF or TWUL. Its purpose was to enable the Company to be the main party in the court-sanctioned restructuring plan and the arrangement remains in place until the conditions precedent for the court-sanctioned restructuring plan is met.

Management's assessment is that the deed does not meet the definition of a guarantee, and because there was no written demand for payment no obligations arise under which a financial asset and corresponding liability would need to be recognised by the respective entities on 31 March 2025. However, the nature of the contract gives rise to a contingent liability for the Company, because there is a possibility there could be a written demand as long as the deed remains in place. Management believes the possibility that a demand in relation to any payments which have already occurred is not likely, which is supported by letters of comfort from the TWUL and TWUF respectively confirming they do not intend to make such a demand, and that there is no present intention to make a demand for future payments.

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

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

24. Contingent liabilities (continued)

As of the 31 March 2025, the following matters are no longer deemed to meet the criteria for disclosure as contingent liabilities:

- Ofwat's investigation into dividends paid during the year ended 31 March 2024. A £18.2 million provision (see note 20) has been recognised within these accounts following Ofwat's consultation and decision to impose a financial penalty.
- Ofwat's investigation into TWUL's Wastewater Business and operation of its sewage treatment works. A £104.0 million provision (see note 20) has been recognised within these accounts following Ofwat's consultation and decision to impose an enforcement order and financial penalty.
- Claims under Environmental Information Regulations 2004 regarding property searches. On 3 October 2024, the High Court issued a Tomlin Order dismissing further proceedings in the claims between the Claimants and the Company, and as such, the case is at an end and TWUL no longer deems that this matter meets the criteria for recognition of a contingent liability.
- Drinking Water Inspectorate (DWI) physical security and emergency planning. The DWI made final enforcement orders in September 2024, which set out the steps TWUL needs to take. TWUL no longer deems that this matter meets the criteria for recognition of a contingent liability. No penalty was issued and no undertakings were assessed as requiring a provision as at 31 March 2025.
- DWI Guildford loss of supply. The steps TWUL needs to take have been agreed with the DWI. TWUL no longer deems that this matter meets the criteria for recognition of a contingent liability. No penalty was issued and no undertakings were assessed as requiring a provision as at 31 March 2025.
- Virgin Media pensions case. In June 2023, the High Court judged that amendments made to the Virgin Media pension scheme were invalid because the scheme's actuary did not provide the associated Section 37 certificate. The High Court's decision has wide-ranging implications, affecting other schemes that were contracted-out on a salary-related basis and that made amendments between April 1997 and April 2016. On the 5th June 2025, the government announced a plan to introduce legislation to allow schemes to retrospectively obtain written actuarial confirmation of these historic benefit changes meeting the necessary standards. We have no reason to believe such confirmations could not be obtained should they be required and hence do not expect any additional liability to arise.

25. Off-balance sheet arrangements

The Group is party to a number of contractual arrangements for the purposes of its principal activities that are not required to be included within the Statement of Financial Position. These are:

- leases not in the scope of IFRS 16;
- power prices forward contracts;
- outsourcing contracts; and
- guarantees.

In respect of outsourcing contracts, the Group has entered into various arrangements to outsource the provision of certain back-office and operational functions with third-party providers. These outsourced arrangements include aspects of customer services, legal services, metering and capital delivery. These arrangements are on commercial terms and no associated penalty or termination clauses will have a material effect on the financial position of the Group.

Notes to the consolidated financial statements (continued)

26. Post balance sheet events

On 25 April 2025, Charlie Maynard MP sought permission to appeal the Court of Appeal Decision on the restructuring plan to the Supreme Court. The outcome of this legal challenge is uncertain and could have a material impact on the Group's financial position. Until the uncertainty around the outcome of the court case and other matters is eliminated TWUL does not meet the conditions precedent to draw down on the £1.5 billion super senior facility issued by the new entity, Thames Water Super Senior Issuer plc (TWSSI).

The super senior facility is a key part of the short-term liquidity of the Group and therefore consent, and waivers were obtained to allow there to be drawdowns whilst the outcome of the appeal remains uncertain. In April 2025, TWSSI completed the first drawdown of £350 million (net proceeds received by TWUL of £326.5 million). In May 2025 TWSSI completed the second drawdown of £365 million (net proceeds received by TWUL of £308.3 million). A creditor consent was voted on 14 July 2025 which permits additional drawdowns by TWSSI of £157 million of which TWUL can draw £31 million in July 2025 and £126 million in August 2025, along with an extension of the end date to 31 July 2025 for permitted drawdowns by TWUL under its intercompany loan from TWSSI (with an exception granted for the August 2025 drawdown).

A backstop agreement was put in place by TWUL under which creditors committed to participate in the £1.5 billion super senior facility. Backstop fees of up to 3.5% of the amount committed were payable to creditors to be netted from the proceeds. The conditions precedent for drawing have not been met and only £715 million has been drawn down. As a result of the creditor consent which became effective on 14 July 2025, the balance of the backstop fees of £26.7 million have become payable to be netted from the July 2025 drawdown proceeds, despite a portion of the £1.5 billion facility remaining undrawn.

As part of the agreement to enable draw down on the facility before the conditions precedent were met, Turnover Fees were agreed to be paid to creditors if an appeal process is pursued. These fees are designed to compensate creditors if the court-sanctioned restructuring plan is overturned. On 15 April 2025, TWUL deposited £32.0 million in Turnover Fees into an escrow account, a proportion of which are due from TWUL, although TWUL will reimburse TWUL for an equivalent amount as part of the intercompany loan arrangements with TWUL. The payment of these fees are earmarked for creditor compensation only if permission to appeal is granted by the court.

In May 2025 a lender opted to convert a loan from index linked to floating rate, since they were unable to hedge their position economically as a result of the maturity extension. As a result, the company's risk profile has altered as a result of this modification, which previously acted as a natural hedge to RPI linked revenue.

TWUL is continuing to pursue its plans for an equity raise as part of the second stage of its financial restructuring. KKR was announced as the preferred bidder on 31 March 2025, entering a Phase 2 diligence phase alongside certain senior creditors. On 3 June 2025, KKR indicated that it will not be in a position to proceed and TWUL instead continues to progress discussions on an alternative senior creditors' plan with Ofwat and other stakeholders.

In May 2025 Ofwat announced that TWUL would be fined £122.7 million. £104.5 million of the fine relates to penalties for sewage leaks and £18.2 million relates to penalties for a breach of dividend rules, these amounts had been provided for within current liabilities in the 31 March 2025 financial statements. The Group is intending to agree a payment plan with Ofwat, but this has not yet been agreed at the time of approval of the accounts. Under the creditor consent which became effective on 14 July 2025, if TWUL were to pay these penalties without a creditor consent, TWUL must repay its intercompany loan from TWSSI, and all drawdowns under TWSSI's £1.5 billion facility would become due to be repaid to creditors.

On 18 July 2025, TWUL announced that Ofwat had agreed a further 3 month deferral until 22 October 2025 to its referral of the Final Determination for AMP8 to the CMA for a re-determination. Ofwat had agreed on 18 March 2025 to defer making the CMA reference for a period of up to 18 weeks until 21 July 2025, while ongoing conversations seek a market-led solution to recapitalisation, without the need for a CMA reference.

Notes to the consolidated financial statements (continued)

27. Statement of Cash Flows

Reconciliation of operating profit to operating cash flows

Year ended 31 March	Audited 2025			Unaudited* 2024		
	Underlying £m	BTL £m	Total £m	Underlying £m	BTL £m	Total £m
(Loss)/profit for the financial year	(600.8)	164.3	(436.5)	(182.6)	87.4	(95.2)
Less finance income	(186.3)	-	(186.3)	(206.3)	-	(206.3)
Add finance expense excluding interest on lease liabilities	1,075.1	-	1,075.1	882.7	-	882.7
Add interest expense on lease liabilities	3.5	-	3.5	3.1	-	3.1
Add net (gains)/losses on financial instruments	240.5	-	240.5	(152.3)	-	(152.3)
Add/(less) taxation on profit/(loss) on ordinary activities before taxation	(196.1)	(29.2)	(225.3)	56.0	29.2	85.2
Operating profit	335.9	135.1	471.0	400.6	116.6	517.2
Depreciation on property, plant and equipment	703.1	-	703.1	655.6	-	655.6
Amortisation of intangible assets	70.8	-	70.8	71.2	-	71.2
Depreciation of right of use asset	7.8	-	7.8	6.7	-	6.7
(Reversal)/Impairment of property, plant and equipment	(2.9)	-	(2.9)	27.0	-	27.0
Impairment of intangible assets	-	-	-	3.0	-	3.0
Gain on sale of property, plant and equipment	(6.8)	-	(6.8)	(22.3)	-	(22.3)
Difference between pension charge and cash contribution	(17.1)	-	(17.1)	1.9	-	1.9
Decrease/(increase) in inventory	0.8	-	0.8	(2.4)	-	(2.4)
Decrease in trade and other receivables ¹	(15.8)	(128.7)	(144.5)	(40.3)	(124.4)	(164.7)
(Increase)/decrease in contract assets	(49.3)	1.2	(48.1)	(35.1)	(2.3)	(37.4)
(Decrease)/increase in trade and other payables	(12.5)	11.9	(0.6)	(4.9)	8.9	4.0
Increase in contract liabilities ²	47.6	-	47.6	28.1	0.5	28.6
Increase in provisions ³	208.0	-	208.0	47.0	-	47.0
Net cash generated by operating activities^{4, 5}	1,269.6	19.5	1,289.1	1,136.1	(0.7)	1,135.4

¹ Movement in trade and other receivables excludes the movement in group relief receivable/payable; any amounts paid/received in the period are disclosed within group relief received.

² Movement in contract liabilities will not agree to the movement in the balance sheet due to it excluding the movement in the non-cash item deferred income for nil cost adopted assets.

³ Movement in provisions will not agree to the movement in the balance sheet due to it excluding the movement in capital infrastructure provisions

⁴ Net cash generated by operating activities for the year ended 31 March 2025 includes £80.4 million (2024: £37.6 million) of payments made during the year ended 31 March 2025 related to the exceptional operating costs recognised in the Income Statement of £219.9 million (2024: £43.9 million) for provisions raised in relation to Ofwat investigations, restructuring and transformation expenditure, refer to note 3. Net cash generated by operating activities (excluding payments relating to exceptional items and BTL) for the year ended 31 March 2025 would be £1,194.3 million.

⁵ An exceptional outflow of £69.7 million was recognised in the year ended 31 March 2021 which related to upfront deficit repayments for the remainder of AMP7. If this prepayment had not been made, the net cash generated by operating activities for the year ended 31 March 2025 would have included a cash payment of £10.2 million. In the year ended 31 March 2024, two payments for internal inflation mechanism pension contributions were made on TWUL's behalf by Kemble Water Eurobond plc and are not included in cash flows from operating activities above: one for £20.4 million in April 2023 and one for £27.1 million in March 2024, please refer to note 8 and note 21 for further details. If this was not the case, the April 2023 payment which was due in the year ended 31 March 2024 and the March 2024 payment which was not due until the year ended 31 March 2025 would otherwise have been recorded within operating cash flows.

Movement in cash and cash equivalents

Year ended 31 March	Audited 2025 £m	Unaudited* 2024 £m
Unrestricted cash movement	(7.0)	9.9
Restricted cash movement	71.0	-
Bank Overdraft	55.5	(126.7)
Movement in money market funds	(1,038.8)	(565.0)
Total	(919.3)	(681.8)

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

28. Related party transactions

Details of transactions with associated companies as required by Ofwat's regulatory accounting guidelines can be also found under the 'Transactions with associates and the non-appointed business' disclosure in the Annual Performance Report, which will be published on our website following their approval.

Trading transactions

Year ended 31 March	Audited 2025		Unaudited* 2024	
	Services provided by the Group £'000	Services provided to the Group £'000	Services provided by the Group £'000	Services provided to the Group £'000
<i>Ultimate parent</i>				
Kemble Water Holdings Limited	703	-	675	-
<i>Intermediaries between the immediate and ultimate parent</i>				
Kemble Water Eurobond plc	9	-	46	-
Kemble Water Finance Limited	402	-	226	-
Thames Water (Kemble) Finance plc	343	-	-	-
<i>Immediate parent</i>				
Thames Water Limited	787	215,466	215,985	216,272
<i>Other entities within the Kemble Water Holdings group</i>				
Kennet Properties Limited	220	-	112	-
Thames Water Property Services Limited	-	118	-	124
Thames Water Pension Trustees Limited	-	23	-	968
Trinzic Operations Limited	15	44	938	-
Trinzic Connected Limited	5	-	-	-
Trinzic Developments Limited	-	-	836	-
<i>Entities external to the Kemble Water Holdings group</i>				
AlixPartners UK LLP	-	16,343	-	-
Cadent Gas Limited	-	32	-	-
InframoniK Advisory Limited	-	23	-	-
Major Projects Association	-	11	-	-
SGN Commercial Services Limited	-	5,839	-	4,495
Dunelm Energy Limited	-	-	-	10
Southern Gas Networks plc	-	10	-	64
Water UK Limited	-	720	-	686
Worldpay (UK) Limited	-	-	-	8
Duchy of Cornwall Estate	-	-	-	2,240
Total	2,484	238,629	218,818	224,867

During the year, the Group paid its immediate parent company, Thames Water Limited, dividends of £nil (2024: £nil).

Outstanding balances

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

As at 31 March	Audited 2025		Unaudited* 2024	
	Amounts owed to the Group £'000	Amounts owed by the Group £'000	Amounts owed to the Group £'000	Amounts owed by the Group £'000
<i>Ultimate parent</i>				
Kemble Water Holdings Limited	-	131	-	-
<i>Immediate parent</i>				
Thames Water Limited	132	3,638,432	-	3,422,966
<i>Other entities within the Kemble Water Holdings group</i>				
Kennet Properties Limited	44	9	-	-
Thames Water Property Services Limited	-	56	-	-
Total	176	3,638,628	-	3,422,966

The amounts outstanding are unsecured. No guarantees have been given or received.

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the consolidated financial statements (continued)

28. Related party transactions (continued)

Key management personnel

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

The remuneration of the Directors per note 4 is included within the amounts disclosed below. The value includes £nil (2024: £0.2 million) remuneration for services provided to other group companies.

Year ended 31 March	Audited 2025 £'000	Unaudited* 2024 £'000
Fees	661	551
Salary	3,981	3,769
Pension and pension allowance	336	332
Bonus	2,831	1,746
Payment in lieu of notice	297	
Payment on loss of office	680	1,139
Other benefits	528	1,341
Total	9,314	8,878

Information regarding transactions with post-employment benefits plans is included in note 22.

The bonus amounts for the year ended 31 March 2025 are in relation to the PRPP, with the increase largely due to more employees being eligible for a full year bonus.

Other benefits includes long-term incentive plan, medical benefits, car allowances, relocation costs, salary adjustments and other incentive payments..

29. Intermediate and ultimate parent Company and controlling party

The immediate parent company of Thames Water Utilities Holdings Limited is Thames Water Limited, a company incorporated in the United Kingdom, which owns 100% of the issued share capital of the Company.

Kemble Water Holdings Limited, a company incorporated in the United Kingdom, is the ultimate controlling party and ultimate parent company. Kemble Water Holdings Limited is owned by nine shareholders, of which the largest is Ontario Municipal Employees Retirement System (OMERS) with a 31.777% holding.

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

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Company Income Statement

For the year ended 31 March 2025

	Note	2025 £m	2024 £m
Operating expenses	30	(0.2)	-
Dividend income	32	-	195.8
Finance income		-	0.3
Finance expenses	33	(285.4)	(286.5)
Exceptional items - Impairment losses	34	-	(4,297.5)
Loss before taxation		(285.6)	(4,387.9)
Tax charge on loss	35	(46.8)	(3.4)
Loss for the year		(332.4)	(4,391.3)

All amounts relate to continuing operations.

The Company has no recognised gains or losses other than the items set out above and therefore no separate Statement of Comprehensive Income has been presented.

Company Statement of Financial Position

As at 31 March 2025

	Note	31 March 2025 £m	31 March 2024 £m
Non-current assets			
Investment in subsidiary undertakings	36	-	-
		-	-
Current assets			
Other receivables	37	16.6	63.4
		16.6	63.4
Current liabilities			
Borrowings	38	-	(323.1)
		-	(323.1)
Net current assets/(liabilities)		16.6	(259.7)
Total assets less current liabilities		16.6	(259.7)
Borrowings	38	(5,028.1)	(4,419.4)
Net liabilities		(5,011.5)	(4,679.1)
Equity			
Called up share capital	39	547.5	547.5
Accumulated losses		(5,559.0)	(5,226.6)
Total shareholders' deficit		(5,011.5)	(4,679.1)

The financial statements were approved by the Board of Directors on 22 July 2025 and signed on its behalf by

A Montague
Director

Registered number: 06195202 (United Kingdom)

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Company Statement of Changes in Equity

For the year ended 31 March 2025

	Note	Called up Share capital £m	Accumulated Losses £m	Total shareholders' deficit £m
1 April 2023		500.0	(835.3)	(335.3)
Loss for the year		-	(4,391.3)	(4,391.3)
Issued share capital	39	47.5	-	47.5
31 March 2024		547.5	(5,226.6)	(4,679.1)
Loss for the year		-	(332.4)	(332.4)
31 March 2025		547.5	(5,559.0)	(5,011.5)

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the Company financial statements

30. Operating expenses

Year ended 31 March	2025 £m	2024 £m
Professional fees for services rendered	0.2	-
Total operating expenses	0.2	-

Auditor's remuneration

The total amount relating to the Company for the independent auditors, PricewaterhouseCoopers LLP's remuneration was £80,000 (2024: £103,000). No other fees were payable to PricewaterhouseCoopers LLP in respect of this Company during the year (2024: £nil). The current year audit fees will be paid by the Company's immediate subsidiary, Thames Water Utilities Limited.

31. Employees and Directors

Employees

The Company had no employees during the year (2024: none).

Directors

During the year, the Company had twenty-two directors (2024: twenty-one) who are all Executive or Non-Executive Directors of the Group. Directors who are also directors of TWUL have their costs borne by TWUL; all other directors have agreed to waive their fees for the current year and receive no emoluments in respect of their services as Directors of the Company. No other remuneration, pension and pension allowances, or other benefits are paid to the directors of the Company.

Highest paid Director

As no fees were paid to directors in the current year, the total emoluments of the highest paid Director during the year were £nil (2024: £nil).

32. Dividend Income

Year ended 31 March	2025 £m	2024 £m
Dividends received from Thames Water Utilities Limited	-	195.8
Total	-	195.8

Total dividends paid to the Company for year ended 31 March 2025 were £nil (2024: £195.8 million), of which £nil (2024: £158.3 million) were net-settled against other intercompany cash flows, as detailed below. The remaining £nil (2024: £37.5 million) were cash settled as mentioned below.

In October 2023, TWUL paid dividends of £37.5 million to the Company. These proceeds were subsequently distributed by the Company to Thames Water Limited (TWL) as interest paid and then through to Kemble Water Finance Limited (KWF). KWF retained the proceeds to service its own and its subsidiary Thames Water (Kemble) Finance plc's external debt obligations.

In March 2024, Kemble Water Eurobond plc (KWE), an intermediate parent of the Company, made internal inflation mechanism pension contribution payments totalling £27.1 million to the defined benefit schemes, Thames Water Pension Scheme and Thames Water Mirror Image Pension Scheme, on behalf of TWUL. In connection with this transaction, TWUL issued 27.1 million shares with a nominal value of £1 to the Company for a total value of £27.1 million and TWUL paid a £27.1 million dividend to the Company. The Company issued 27.1 million shares with a nominal value of £1 for a total value of £27.1m to Thames Water Limited (TWL) and the Company paid interest to TWL of £27.1 million and through further intercompany transactions between intermediate holding companies, the amount was to be received by KWE. These flows were settled as part of a net settlement deed and, as a result of this arrangement, £27.1 million was paid directly into the defined benefit pension schemes.

In March 2024, TWUL paid dividends of £131.2 million to the Company under a net settlement deed which did not result in a cash movement. Simultaneously the Company also received payments for group relief owed by TWUF of £13.7 million and received repayments of intercompany loans including associated interest owed by TWUL to the Company of £5.6 million, the Company also made payments of £150.5 million to TWL for interest owed under intercompany loan agreements. These, along with other intercompany transactions between other group companies were recorded under a net settlement deed.

There were no distributions to external shareholders (shareholders of Kemble Water Holdings Limited) during the year ended 31 March 2025 (2024: £nil).

Notes to the Company financial statements (continued)

33. Finance Expenses

Year ended 31 March	2025 £m	2024 £m
Amounts owed to group undertakings		
Payable to immediate parent undertaking	215.5	216.3
Payable to direct subsidiary undertaking	69.9	70.2
Total	285.4	286.5

34. Impairment Losses

Year ended 31 March	2025 £m	2024 £m
<i>Exceptional items:</i>		
Impairment loss on investment in Thames Water Utilities Limited	-	4,297.5
Total	-	4,297.5

The Company holds an investment in Thames Water Utilities Limited. In the prior period, management identified indications of impairment, and as a result performed impairment testing in line with the requirements of IAS 36 and determined the recoverable value of the investment to be £nil. This resulted in an impairment on investment of £4,297.5 million being recognised in the Income Statement as an exceptional item, as this impairment was not as a result of the ordinary course of business. Refer to Significant accounting judgements and key sources of estimation uncertainty for detail of these estimates and judgements made in reaching this conclusion.

35. Tax credit/(charge) on loss

Year ended 31 March	2025 £m	2024 £m
<i>Current tax:</i>		
Amounts payable in respect of group relief	-	46.7
Adjustments in respect of prior years	(46.8)	(50.1)
Total Tax (charge) on loss	(46.8)	(3.4)

The tax charge for the year ended 31 March 2025 is lower (2024: lower charge) than the standard rate of corporation tax in the UK. The differences are explained below:

Year ended 31 March	2025 £m	2024 £m
Loss before taxation	(285.6)	(4,387.9)
Current tax credit at 25% (2024: 25%)	71.4	1,097.0
<i>Effect of:</i>		
Non-taxable income (dividend UK company)	-	48.9
Non-deductible expenses (impairment on investment)	-	(1,074.4)
Tax losses in year carried forward	(45.2)	(24.8)
Group relief surrendered for no payment	(26.2)	-
Adjustment to tax in respect of prior years	(46.8)	(50.1)
Total Tax (charge) on loss	(46.8)	(3.4)

The adjustment of £46.8 million to the tax charge in respect of prior years is in relation to the group relief which was originally expected to be sold to the Group at full rate but is now being surrendered for no payment.

The Company does not have any recognised deferred tax assets or liabilities, however it does have unrecognised deferred tax assets in respect of tax losses of £556.8 million (2024: £363.0 million). The Company does not anticipate sufficient future taxable profits, against which these losses could be utilised. The amount of deferred tax assets not recognised was £139.2 million (2024: £90.8 million) at 25% (2024: 25%). These tax losses do not time expire.

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the Company financial statements (continued)

36. Investments in subsidiary undertakings

The Company has no interest in joint ventures or associates. The subsidiary undertakings are wholly owned by the Company.

	2025 £m	2024 £m
<i>Cost of shares in subsidiary undertakings:</i>		
At 1 April and at 31 March	4,297.5	4,297.5
	4,297.5	4,297.5
<i>Accumulated impairment:</i>		
At 1 April	(4,297.5)	-
Impairment in investment in Thames Water Utilities Limited	-	(4,297.5)
At 31 March	(4,297.5)	(4,297.5)
Net book value	-	-

As at 25 February 2025, TWUL invested in a new subsidiary, Thames Water Super Senior Issuer plc (TWSSI); with an investment value of £50,000. As part of the court-sanctioned restructuring plan, the Company agreed to acquire a new financing subsidiary to act as issuer of the £1.5 billion super senior debt facility. The acquisition by the Company of TWSSI enabled the new debt facility to be separated from the existing debt in TWUL and TWUF, in order to enable the bespoke terms of the facility, the drawdown process and on-lending to operate as agreed with creditors.

The Company holds the following investment in a subsidiary undertaking:

Entity	Holding	Principal undertaking	Country of incorporation	Class of shares held	Proportion of voting rights and shares held
Thames Water Utilities Limited	Direct	Water and wastewater	United Kingdom	£1 Ordinary	100%
Thames Water Utilities Finance plc	Indirect	Financing Company	United Kingdom	£1 Ordinary	100%
Thames Water Super Senior Issuer plc	Indirect	Financing Company	United Kingdom	£1 Ordinary	100%

The address of the registered office of all the above companies is Clearwater Court, Vastern Road, Reading, Berkshire, RG1 8DB.

The Company holds an investment in Thames Water Utilities Limited. In the prior period, management identified indications of impairment, and as a result performed impairment testing in line with the requirements of IAS 36 and determined the recoverable value of the investment to be £nil. This resulted in an impairment on investment of £4,297.5 million being recognised in the Income Statement as an exceptional item, as this impairment was not as a result of the ordinary course of business. Refer to Significant accounting judgements and key sources of estimation uncertainty for detail of these estimates and judgements made in reaching this conclusion.

37. Other receivables

	2025 £m	2024 £m
Group relief related receivable	16.6	63.4
Total	16.6	63.4
Disclosed within current assets	16.6	63.4

In December 2023, a settlement of £91.1 million for an amount owed for previously surrendered group relief was made by way of a net settlement against a Thames Water Limited loan balance of £29.7 million, together with accrued interest of £61.4 million.

In March 2024, the settlement of £13.7 million group relief balance due from Thames Water Utilities Finance plc (TWUF) was made, refer to note 32 for further information on this group relief movement.

Management has assessed the recoverability of the receivable due for the prior surrender of group relief and have identified no impairment of the balance as it is expected that TWUL will either settle this balance or it will be net settled against part of TWUL's loan to the Company.

Notes to the Company financial statements (continued)

38. Borrowings

	2025 £m	2024 £m
Amounts owed to group undertakings		
Thames Water Limited	2,282.3	2,282.2
Thames Water Utilities Limited	1,249.1	1,249.1
Kemble Water Holdings Limited	0.1	-
	3,531.5	3,531.3
Interest payable on amounts owed to group undertakings		
Thames Water Limited	1,356.2	1,140.8
Thames Water Utilities Limited	140.4	70.4
	1,496.6	1,211.2
Total	5,028.1	4,742.5
Disclosed within non-current liabilities	5,028.1	4,419.4
Disclosed within current liabilities	-	323.1

Amounts owed to group undertakings have specific terms as follows:

- £1,980.1 million (2024: £1,980.1 million) owed to Thames Water Limited, the Company's immediate parent, is unsecured and represent amounts of unpaid deferred consideration on the purchase of Thames Water Utilities Limited. Interest on this balance is payable at 10% (2024: 10%) with interest repayment determined by agreement between both parties. Repayment of the loan is at the discretion of the Company but must be repaid by 2056. On 25 February 2025 its terms were modified such this date was extended to 2058, until such a time as the Group gets two investment grade credit ratings, when the maturity will return to 2056. During the year ended 31 March 2025, the Company did not repay any of the loan (2024: nil) or accrued interest to TWL (2024: £215.1 million).
- £220.1 million (2024: £220.1 million) owed to Thames Water Limited is unsecured. Interest is charged at a rate of 5.47% (2024: 5.47%) with interest repayment determined by agreement between both parties. Due to the financial restructuring the loan is no longer repayable on demand until the end of the stable platform period. During the year ended 31 March 2025, the Company did not repay any of the loan balance (2024: £29.7 million) or accrued interest (2024: £61.4 million).
- £50.0 million (2024: £50.0 million) owed to Thames Water Limited is unsecured. Interest is charged at a rate of 5.40% (2024: 5.40%) with interest repayment determined by agreement between both parties. The loan was originally repayable on demand with a maturity date of 23 July 2027. On 25 February 2025 its terms were modified such that it is no longer repayable on demand until the end of the stable platform period and its maturity was extended to 23 July 2029, until such a time the Group get two investment grade credit ratings when the maturity will return to its original date. During the year ended 31 March 2025, the Company did not repay any of the loan balance (2024: £nil) or accrued interest (2024: £nil).
- £30.0 million (2024: £30.0 million) owed to Thames Water Limited is unsecured. Interest is charged at a rate of 5.46% (2024: 5.46%) with interest repayment determined by agreement between both parties. The loan was originally repayable on demand with a maturity date of 14 August 2028. On 25 February 2025 its terms were modified such that it is no longer repayable on demand until the end of the stable platform period and its maturity was extended to 14 August 2030, until such a time the Group get two investment grade credit ratings when the maturity will return to its original date. During the year ended 31 March 2025, the Company did not repay any of the loan balance (2024: £nil) or accrued interest (2024: £nil).
- £2.0 million (2024: £2.0 million) owed to Thames Water Limited is unsecured. Interest is charged at a rate of 5.47% with interest repayment determined by agreement between both parties. Due to the financial restructuring the loan is no longer repayable on demand until the end of the stable platform period. During the year ended 31 March 2025, the Company did not repay any of the loan balance (2024: £nil) or accrued interest (2024: £nil).
- £735.7 million (2024: £735.7 million) owed to Thames Water Utilities Limited, the Company's direct subsidiary, is unsecured. Interest is charged at a rate of SONIA + 0.6266% (2024: SONIA + 0.6266%) with interest repayment determined by agreement between both parties. The loan was originally repayable on 30 August 2037. On 25 February 2025 its terms were modified such and its maturity was extended to 30 August 2039, until such a time the Group get two investment grade credit ratings when the maturity will return to its original date. During the year ended 31 March 2025, the Company did not repay any of the loan balance (2024: £nil) or accrued interest (2024: £nil).
- £513.4 million (2024: £513.4 million) owed to Thames Water Utilities Limited, the loan is unsecured. Interest is charged at a rate of SONIA + 0.6266% (2024: SONIA + 0.6266%) with interest repayment determined by agreement between both parties. Due to the financial restructuring the loan is no longer repayable on demand until the end of the stable platform period. During the year ended 31 March 2025, the Company did not repay any of the loan balance (2024: £nil) or accrued interest (2024: £nil).
- £0.1 million (2024: £nil) owed to Kemble Water Holdings Limited, the Company's ultimate parent, the payable is unsecured and has no interest charged. This balance accrued under a letter of support issued in September 2024, per the terms of the letter this is only repayable when the Company has access to alternative sources.

*For further details regarding the nature of the unaudited numbers in the prior period, please refer to the Basis of Consolidation section of the Accounting Policies Note.

Notes to the Company financial statements (continued)

39. Called up share capital

	2025 £m	2024 £m
<i>Allotted, called up and fully paid:</i>		
547.5 million (2024: 547.5 million) ordinary shares of £1 each	547.5	547.5

The Company has one class of ordinary share which carries 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.

40. Guarantees and capital commitments

The Company is part of a whole business Securitisation Group. The Company, TWUL and its financing subsidiary TWUF are Obligors under the whole business securitisation entered into in 2007. The Obligors have all entered into a Security Trust and Inter-creditor Deed (STID). Pursuant to this arrangement, the Company guaranteed the obligations of each other Obligor under the finance agreement. Additionally, TWUL, and TWUF, have guaranteed the obligations of each other under the finance agreement, in each case to the Security Trustee. The guaranteed debt on a post swap basis as at 31 March 2025 was £17.9 billion (2024: £17.3 billion). At 31 March 2025, the Company had no capital commitments (2024: £nil).

The Company also guarantees the debt of TWSSI, although none was outstanding at 31 March 2025.

41. Post balance sheet events

On 25 April 2025, Charlie Maynard MP sought permission to appeal the Court of Appeal Decision on the restructuring plan to the Supreme Court. The outcome of this legal challenge is uncertain and could have a material impact on the Company's financial position. Until the uncertainty around the outcome of the court case and other matters is eliminated the Group do not meet the conditions precedent to draw down on the £1.5 billion super senior facility issued by the new entity, Thames Water Super Senior Issuer plc (TWSSI).

The super senior facility is a key part of the short-term liquidity of the Group and therefore consent, and waivers were obtained to allow there to be drawdowns whilst the outcome of the appeal of the court case remains uncertain. In April 2025, TWSSI completed the first drawdown of £350 million (net proceeds received by TWUL of £326.5 million). In May 2025 TWSSI completed the second drawdown of £365 million (net proceeds received by TWUL of £308.3 million). A creditor consent was voted on 14 July 2025 which permitted £157 million of additional drawdowns by TWSSI of which £31 million is available for TWUL to draw in July 2025 and £126 million in August 2025, along with an extension of the end date to 31 July 2025 for drawdowns by TWUL under the intercompany loan from TWSSI (with an exception granted permitting the August 2025 drawdown).

In May 2025 Ofwat announced that TWUL would be fined £122.7 million. £104.5 million of the fine relates to penalties for sewage leaks and £18.2 million relates to penalties for a breach of dividend rules, these amounts had been provided for within current liabilities in the 31 March 2025 financial statements. The Group is intending to agree a payment plan with Ofwat, but this has not yet been agreed at the time of approval of the accounts. Under the creditor consent which became effective on 14 July 2025, if TWUL were to pay these penalties without a creditor consent, TWUL must repay its intercompany loan from TWSSI, and all drawdowns under TWSSI's £1.5 billion facility would become due to be repaid to creditors, which would impact the financial stability of the Group.

On 18 July 2025, TWUL announced that Ofwat had agreed a further 3 month deferral until 22 October 2025 to its referral of the Final Determination for AMP8 to the CMA for a re-determination. Ofwat had agreed on 18 March 2025 to defer making the CMA reference for a period of up to 18 weeks until 21 July 2025, while ongoing conversations seek a market-led solution to recapitalisation, without the need for a CMA reference.