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Registered number: 537456915 (England & Wales)

Thames Water Utilities Limited

Interim report and financial statements

For the six month period ended 30 September 2024

Contents

Director’s report

Introduction

Thames Water Utilities Limited (“TWUL” and “the Company”) is a private limited company incorporated in England & Wales and domiciled in the United Kingdom. The trading address and address of the registered office is Clearwater Court, Vastern Road, Reading, RG1 8DB.

The Company’s principal activity is that of an appointed water and wastewater services provider, including acting as a retailer for household customers in London, the Thames Valley and surrounding area in accordance with its licence of appointment. The Company is also an intermediate holding company within the Kemble Water Holdings Limited Group of companies as a parent of Thames Water Utilities Finance plc (“TWUF”). The Thames Water Utilities Limited Group (“the TWUL Group”) includes the Company and its sole subsidiary TWUF.

This report comprises a business and financial overview of Thames Water Utilities Limited for the six month period ended 30 September 2024 and constitutes unaudited key financial data and narrative review of performance over this period.

The Company is party to various financing agreements which require the Company to prepare unaudited financial statements. This interim report has been prepared to meet these requirements.

Principal risks and uncertainties

Uncertainty concerning the outcome of the PR24 price review and current levels of liquidity has resulted in credit rating downgrades and Trigger Events. The success and timing of securing the capital the Company needs to finance our ambitious business plan, turnaround performance and increase financial resilience depends on securing a PR24 price determination that is both financeable and investible. This is a matter the Company will continue to engage on with our regulators, and the Government.

Ofwat published its Draft Determinations on 11 July 2024. In August 2024, the Company submitted its draft determination response to Ofwat for AMP8 and this is now subject to their consideration. In December 2024 the Company will receive the final determination which will confirm its funding allowances for AMP8. There is no assurance as to what funding will be allowed, although Ofwat is required to exercise and perform its duties in the manner which it considers is best calculated to ensure Thames Water is able to finance the proper carrying out of its functions.

The Company continues to be exposed to inflationary pressures in FY25, which could impact its cost base and with bill increases expected in the future could increase the risk to cash collection rates. Rapid population growth and changing weather patterns also continue to put pressure on our ageing infrastructure, this creates risk of non-compliance with environmental regulatory and statutory requirements (see contingent liabilities accounting note for details of current investigations).

Going Concern

The condensed financial statements for the six months ended 30 September 2024, set out on pages 8 to 11, have been prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities at fair value, and the Disclosure and Transparency Rules (“DTR”) issued by the Financial Conduct Authority.

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

The Directors believe that it is reasonable to assume that actions can be taken such that the Company have adequate resources, for a period of 12 months from the date of approval of the financial statements, to continue operations and discharge its obligations as they fall due. However, there exists a material uncertainty which may cast significant doubt on the Company’s ability to continue as a going concern in relation to the preparation of the financial statements given the Company do not have sufficient committed liquidity to meet their liabilities as they fall due for a period of at least 12 months from the approval of financial statements.

The ability of the Company to extend the liquidity runway is not wholly within their control and is dependent on the implementation of a Liquidity Extension Transaction. The implementation of the Liquidity Extension Transaction, and the subsequent securing of additional funding via a creditor led solution and / or equity, is dependent upon a number of matters which, individually and collectively, are outside of the Company’s control; these are due to commence shortly after the approval of these interim financial statements. The convening hearing date for the Restructuring Plan is scheduled for 17 December 2024 and, without a Restructuring Plan approved by the court (expected to be effective at 31 January 2025), the liquidity runway ends during March 2025.

The TWUL Group has launched a consent process for a transaction support agreement ("TSA") in connection with a Liquidity Extension Transaction and related Security Trust and Intercreditor Deed (“STID”) Proposals which are intended to provide liquidity to October 2025 and, if the Board considers the Company’s PR24 final determination is neither financeable nor investible and the Company appeals to the CMA, to May 2026. Currently creditors certifying that they represent more than 75% of the Class A Debt have entered into the TSA. The STID Proposals have passed and reserved debt service reserve and operation & maintenance reserve cash was released in November 2024. The Liquidity Extension Transaction is intended to be implemented through a Restructuring Plan that has not yet been approved by the court and for which the convening hearing is scheduled for 17 December 2024 and the sanction

Director's report (continued)

Going concern (continued)

hearing is scheduled for 20 January 2025 (with an expected effective date of 31 January 2025, if the Restructuring Plan is approved, subject to any appeal process). The Company have sufficient cash to meet their liabilities as they fall due until prior to the end of March 2025 and any delays to the implementation of the Liquidity Extension Transaction could result in that cash being exhausted before the Liquidity Extension Transaction is implemented. The Liquidity Extension Transaction is intended to allow the TWUL Group to progress its current equity raise process and support a holistic recapitalisation transaction and will allow TWUL to complete the Final Determination process, including a CMA appeal if necessary. The TWUL Group has announced its intention to continue to engage with investors and creditors to facilitate a holistic recapitalisation solution.

Context

The Company's business plan for the 2025-30 price control period ("PR24") proposes investing significantly more than in the current regulatory period to improve asset resilience, to deliver environmental improvements and to improve performance for customers and the communities served. This relies on securing additional debt and equity funding.

The decision by the shareholders of Kemble Water Holdings Limited (the ultimate parent of the Company) not to commit new equity in March 2024 reflecting uncertainty concerning the outcome of the PR24 price review has resulted in several adverse events including various credit rating downgrades causing a cash lockup under TWUL's licence and non-compliance with licence conditions due to not maintaining an investment grade credit rating. This cash lockup restricts certain payments to associated companies, including dividends, without the prior approval of Ofwat. The Company also entered a Trigger Event regime upon delivery of the March 2024 compliance certificate to the Security Trustee in July 2024 in respect of financial covenants. However, the Company continues to engage with regulators, and the Government, to agree a determination that will deliver improvements for customers and the environment and give investors the opportunity to earn a fair return on their investment.

The success and timing of securing the capital needed to finance TWUL's ambitious business plan, turnaround performance and to increase financial resilience depends on securing a PR24 price determination that is both financeable and investible. These factors are explained further below:

A. PR24 Business Plan

Following the Company's submission of its PR24 business plan for the 2025-30 regulatory period ("AMP8") to Ofwat in October 2023 (updated in April 2024), the regulator published its Draft Determination ("DD") on 11 July 2024. The DD contains a draft of TWUL's allowed revenues and performance targets for AMP8.

In August 2024, TWUL submitted its PR24 draft determination response, which proposes a significant increase in investment in AMP8 to maintain safe high quality drinking water, ensure security of water supplies, deliver further environmental improvements, and build greater network resilience. This step-up in investment will require an increase in customer bills, as well as additional debt and equity funding. There is no assurance of the level of customer funding that will be determined by Ofwat to support this level of proposed investment. However, under Section 2 of the Water Industry Act 1991 (as amended), Ofwat is under a duty to "secure that water companies can (in particular through securing reasonable returns on capital) finance the proper carrying out of their statutory functions".

The PR24 Final Determination is expected to be published on 19 December 2024. If the Board considers TWUL's PR24 final determination is neither financeable nor investible, it has the right to request that Ofwat refers its determination to the Competition and Markets Authority ("CMA") within two months of the final determination for a full re-determination. There are no set appeal grounds and the CMA will make its own independent judgement as to an appropriate outcome. In reaching its re-determination conclusions, the CMA is required to have regard to Ofwat's duties, strategic priorities and objectives to the same extent as is required of 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 a notional, efficient water company is able (in particular, by securing reasonable returns on their capital) to finance the proper carrying out of its functions.

In the event of a referral by TWUL, the CMA has six months to issue a decision from the point of referral, which can be extended by another six months. It is therefore possible that an appeal process may take 12 months or longer from the date of referral (as was the case for PR19 referrals to the CMA). Furthermore, there can be no assurance that equity funding could be completed prior to the outcome of any CMA referral, nor that the CMA would make a re-determination that is more investible or financeable than Ofwat's PR24 final determination.

B. Equity Funding

In July 2023, the TWUL Group announced that its ultimate shareholders (the "Kemble Shareholders") had agreed to provide a further £750 million in new equity funding across the current regulatory period (AMP7), the first £500 million tranche of which was anticipated by 31 March 2024. In addition, the Kemble Shareholders acknowledged the possibility of further equity investment in the medium-term, indicatively to be in the region of £2.5 billion.

This funding was subject to satisfaction of certain conditions, including the preparation of a business plan that underpinned a more focused turnaround that delivers targeted performance improvements for customers, the environment, and other stakeholders over three years and was supported by appropriate regulatory arrangements.

Following submission of its PR24 plan in October 2023, the Company had been in dialogue with Ofwat to seek feedback on its business plan as part of the PR24 price review process. On 28 March 2024, the TWUL Group and Kemble Shareholders announced that, based on the feedback provided by Ofwat to

Director's report (continued)

Going concern (continued)

TWUL at that time, the regulatory arrangements that would be expected to apply to TWUL in AMP8 made the PR24 business plan uninvestible. As a result, the conditions attached to the £750 million of new equity were not satisfied at that time and the Kemble Shareholders did not provide the first £500 million tranche of new equity that was originally anticipated in March 2024.

Discussions with Ofwat and other stakeholders are ongoing. TWUL aims to secure a PR24 regulatory determination that is affordable for customers, deliverable and financeable for the TWUL Group, as well as investible for equity investors.

Following completion of an extensive premarketing phase, the TWUL Group launched the first round of its equity raise process in October 2024. Any equity raise process is not expected to conclude until after the Final Determination (or CMA Appeal if the Board elects to do so). In the absence of a CMA Appeal, the initial £1.5 billion of super senior funding would provide liquidity to October 2025. It is expected that a recapitalisation of the business by means of a debt restructuring and / or equity injection would be required by then to maintain sufficient liquidity during the assessment period.

In April 2024, events of default occurred under the financing arrangements for Kemble Water Finance Limited, an indirect holding company of the TWUL Group, and its financing subsidiary Thames Water (Kemble) Finance plc (together the "Kemble Debtors"). The Kemble Debtors have granted security in favour of their lenders and noteholders, including share security, and consequently the TWUL Group could be subject to a change of ultimate beneficial ownership should the lenders and noteholders enforce their security.

The Kemble Debtors have announced that they have approached their lenders and noteholders to request that they take no creditor action so as to provide a stable platform while all options are explored. The TWUL Group is not an obligor under such financings and the defaults of the Kemble Debtors do not give their creditors recourse to the Whole Business Securitisation ("WBS") group (being TWUHL, TWUL and TWUF). However, these events of default would need to be resolved to allow Kemble's existing shareholders or any new investors the option to inject further funds into the TWUL Group through the existing corporate structure. Equity funding could be made directly into WBS group if it was in the best interests of stakeholders.

The Board will continue to carefully monitor progress towards achieving equity funding on a regular basis and has undertaken prudent contingency planning to assess what options may be available to maintain its core water and wastewater services and financial resilience should this be required. In the event that equity funding was not to be forthcoming, the Board would consider all options available at that time. The Board is also aware that certain of its creditors are considering the development of a creditor-led recapitalisation transaction should equity funding not be forthcoming, or not be forthcoming on acceptable terms.

C. Liquidity Extension Transaction
On 25 October 2024 the TWUL Group launched a consent process for a TSA in connection with a Liquidity Extension Transaction and related STID Proposals.

If the Liquidity Extension Transaction is approved by creditors, TWUL would secure up to £3 billion of super senior funding, comprising: (i) an initial tranche of £1.5 billion, which is fully backstopped by certain creditors pursuant to a backstop agreement (with other Class A and Class B Debt providers being offered the ability to participate in the super senior funding pro-rata to their debt holdings through voting on the Restructuring Plan in accordance with its terms); and (ii) capacity for a further £1.5 billion across two tranches of £750 million, if TWUL makes an appeal to the CMA following receipt of the Final Determination. The new funding would be released to TWUL on a monthly, or on an interim basis, as required, subject to continued satisfaction of conditions at that time, including that TWUL has progressed towards a more holistic recapitalisation transaction with the agreement of a sufficient proportion of its creditors during next year.

In addition, the maturities of all Class A Debt and Class B Debt (including amortisation payments) would be extended by two years, with interest payments on all Class A Debt and Class B Debt and payments under Hedging Agreements continuing to be made. There would also be modifications to TWUL's covenant regime to provide a stable platform for two years to facilitate a subsequent recapitalisation transaction. Secured creditors would also benefit from an enhanced information and governance package.

TWUL expects that the Liquidity Extension Transaction will be implemented through an English law restructuring plan under Part 26A of the Companies Act 2006 (the "Restructuring Plan") to be proposed by TWUL's parent, Thames Water Utilities Holdings Limited ("TWUHL"). On 22 November 2024, TWUHL issued a Practice Statement Letter as part of the Restructuring Plan. The current expected timetable for the implementation of the Restructuring Plan involves a Convening Hearing on 17 December 2024, Creditor Meetings in the week commencing 13 January 2025 and a Sanction Hearing on 20 January 2025, with the Restructuring Plan intended to be effective by 31 January 2025 if it is approved by the court (subject to any appeal process).

A TSA (which includes undertakings from relevant creditors to support and facilitate the Liquidity Extension Transaction) has been signed by, among others, the TWUL Group. Currently creditors certifying that they represent in excess of 75% of the Class A Debt have entered into the TSA.

On 25 October 2024 TWUL also launched STID Proposals and a consent solicitation under its financing arrangements to (among other things) allow implementation of the Liquidity Extension Transaction including the launch of the Restructuring Plan and other related consents and waivers, permit use of cash in the debt service and operational & maintenance reserve accounts and compensation account for liquidity enhancement.

Director's report (continued)

Going concern (continued)

The STID Proposals passed on 18 November 2024 and TWUL is permitted to transfer the relevant cash from its reserve and compensation accounts into its operating account for liquidity enhancement.

Impact on the Company

The Directors for the purpose of preparing these condensed interim financial statements Company financial statements have assessed the financial condition of TWUL and whether it will continue in existence for 12 months from the date of approval of the financial statements (the 'going concern assessment period'). In their assessment, the Directors have identified the following matters which give rise to a material uncertainty that are outside the control of the Board and which may cast significant doubt on the Company's ability to continue as a going concern (which are therefore relevant factors for the Company):

- The Company do not have sufficient committed liquidity to meet their liabilities as they fall due for a period of 12 months from the date of approval of the financial statements for the half-year year ended 30 September 2024.
- Achieving the necessary liquidity is dependent on events not wholly within the control of the Company.
- The TWUL Group has launched a consent process for a TSA in connection with a Liquidity Extension Transaction and related STID Proposals which are intended to provide liquidity to October 2025 and, if TWUL appeals to the CMA, to May 2026. Currently creditors certifying that they represent more than 75% of the Class A Debt have entered into the TSA. The Company continues to engage with all creditor groups as part of efforts to deliver the Restructuring Plan.
- The STID Proposals have passed and reserved cash in the debt service and operation & maintenance reserve accounts and compensation account was permitted to be released in November 2024
- The Liquidity Extension Transaction is intended to be implemented through a Restructuring Plan which requires approval of the court and for which the convening hearing is scheduled for 17 December 2024 and sanction hearing is scheduled for 20 January 2025 (with an expected effective date of 31 January 2025, if the Restructuring Plan is approved (subject to any appeal process)).
- The Company have sufficient cash to meet their liabilities as they fall due until prior to the end of March 2025 and any delays to the implementation of the Liquidity Extension Transaction could result in that cash being exhausted before the Liquidity Extension Transaction is implemented.
- As part of TWUL's response to the PR24 Draft Determination submitted to Ofwat in August 2024, TWUL is seeking to raise at least £3.3 billion of equity. It is expected that any equity raise process, if successful, would only be capable of concluding following the PR24 Final Determination which is expected to be published on 19 December 2024. Ofwat has modified water companies' licences to allow Ofwat to delay the PR24 Final Determination until January 2025, although current indications are that the PR24 Final Determination will not be delayed. Furthermore, given TWUL has the right to request that Ofwat refers its determination to the CMA and that timing of the appeal process is uncertain, there can be no assurance that equity funding could be completed within the going concern assessment period. Additionally, there is no certainty that the CMA would make a re-determination that is more investible or financeable than Ofwat's PR24 Final Determination which would facilitate the raising of equity.
- Completion of the Liquidity Extension Transaction will improve TWUL's liquidity runway to enable it to continue with the planned investment and maintenance of its infrastructure in order to continue to meet customers' needs, and its environmental responsibilities. It will allow the TWUL Group to progress its equity raise process and a holistic recapitalisation transaction and will allow it to complete the Final Determination process, including a CMA appeal if necessary.

In assessing the appropriateness of the going concern status, the Directors have used a base case scenario that assumes a successful implementation of the Liquidity Extension Transaction (including modifications to the financial covenants such that TWUL would not be required to comply with its existing financial covenants during the two year period following the Liquidity Extension Transaction). In forming their conclusions, the Directors have considered the matters set out in the Context section above, together with the following factors:

1. Credit ratings

In July 2024, Moody's downgraded TWUL's CFR from Baa3 (negative outlook) to Ba2 (negative outlook). S&P put all ratings on credit watch negative and then lowered the ratings on TWUF's Class A debt to BB (negative outlook) from BBB- (negative outlook) and class B debt to B (negative outlook) from BB (negative outlook). Following the July 2024 credit rating downgrades, on 23 August 2024, Ofwat accepted TWUL's undertakings in lieu of any enforcement action for failing to maintain at least two investment grade credit ratings in accordance with TWUL's licence condition. These undertakings will be in place until TWUL is able to recover its investment grade ratings and TWUL does not consider that an event of default has occurred under the terms of the TWUL Group's financing arrangements, although certain of its creditors have reserved their rights in this regard but have taken no further action. Ofwat also retains the ability to intervene if they consider that the steps being taken by TWUL are no longer sufficient to achieve the objectives of the undertakings and/or if they consider that TWUL is not complying with the undertakings. Management believe it is reasonable to assume their ability to meet the accepted undertakings as agreed in the enforcement order.

However, there continues to be a risk that events occur which result in these conditions not being met and subsequently may result in further regulatory action being taken which may result in Ofwat concluding a breach of the Company's Instrument of Appointment and possibly a consequent event of default under the terms of the TWUL Group's financing arrangements.

Director's report (continued)

Going concern (continued)

On 25 September 2024, Moody's downgraded TWUL's CFR from Ba2 (negative outlook) to Caa1 (negative outlook), following the Company's announcement that its available cash and cash equivalents would expire at the end of December 2024 under specific conditions. Similarly, S&P lowered its ratings on TWUF's Class A debt to 'CCC+' (negative outlook) from 'BB' (negative outlook) and Class B debt to CCC- (negative outlook) from 'B' (negative outlook).

On 28 October 2024, S&P lowered its ratings on TWUF's Class A debt to 'CC' (negative outlook) from 'CCC+' (negative outlook) and Class B debt to 'C' (negative outlook) from 'CCC-' (negative outlook) following the announcement of the Liquidity Extension Transaction.

2. Liquidity runway

The Company's liquidity position and cashflow projections are closely monitored and updated regularly. Mitigating measures are also continually reviewed and actioned where appropriate.

As at 30 September 2024, TWUL had £1.12 billion of cash and cash equivalents (including reserved cash). The TWUL Group also has access to £2.45 billion of Class A and Class B committed Revolving Credit Facilities ("RCF's") of which £0.42 billion were undrawn at 30 September 2024. The undrawn facilities mainly consist of revolving credit facilities, and it is intended that these would be cancelled as part of the Liquidity Extension Transaction and whilst the TSA is in place the TWUL Group has agreed not to draw these without the consent of the relevant lenders ahead of the implementation of the Liquidity Extension Transaction. The TWUL Group has £2.03 billion of Class A RCF drawdowns which were rolled in November and December 2024. Further RCF rolls are due across the going concern assessment period, where management has a reasonable expectation at the current time that they will be rolled and where modifications would be made to the Class A RCFs to provide for automatic rollovers for two years following the Liquidity Extension Transaction. The TWUL Group additionally has access to £0.55 billion of undrawn liquidity facilities. The £0.55 billion of undrawn liquidity facilities can only be used in limited circumstances and are available should TWUL enter a Standstill Period (as defined below). It is intended that these would be cancelled as part of the Liquidity Extension Transaction and whilst the TSA is in place the TWUL Group has agreed not to draw these without the consent of the relevant lenders ahead of the implementation of the Liquidity Extension Transaction.

It is projected that under the base case the available liquidity will fund forecast operating cashflows, capital expenditures and service debt until October 2025, allowing an equity process to be completed prior to this date. This assessment is based on the updated business plan submitted to Ofwat in August 2024 and assumes that the Liquidity Extension Transaction is implemented in full (with £1.5 billion of new funding and approximately £0.6 billion of principal deferrals in that period) and that the TWUL Group can draw on the new super senior funding and utilise all cash resources (including previously reserved cash) over this period. In a scenario assuming revenues indicated by Ofwat's July 2024 draft determination, TWUL's liquidity runway would in such a case be expected to be extended to September 2025 instead. It is expected that a recapitalisation of the business by means of a debt restructuring and / or equity injection would be required by then to maintain sufficient liquidity during the assessment period.

If TWUL makes an appeal to the CMA, it may also have the ability to extend its liquidity to May 2026 (through a permission to raise £1.5 billion additional new funding and an additional approximately £2.4 billion of principal deferrals in that period and based on the business plan submitted to Ofwat in August 2024). In a downside case, assuming revenues indicated by Ofwat's July 2024 draft determination, TWUL's liquidity runway would in such a case be expected to be extended to March 2026.

Presently Company has sufficient cash to meet their liabilities as they fall due until prior to the end of March 2025 and any delays to the implementation of the Liquidity Extension Transaction could result in that cash being exhausted before the Liquidity Extension Transaction is implemented.

The TWUL Group has announced its intention to continue to engage with investors and creditors to facilitate a holistic recapitalisation solution.

3. Covenant compliance

Under the terms of the WBS, the TWUL Group is required to maintain compliance with financial covenants and publish a compliance certificate semi-annually. Non-compliance with financial covenants can result in a cash lock-up, Trigger Event or, in extreme situations, an event of default. Any of these could affect the ability of the TWUL Group to attract equity funding.

The TWUL Group was compliant with financial covenants in the 2023/24 financial year. The compliance certificate submitted to the Security Trustee in July 2024, had projections showing non-compliance of certain forecast gearing and interest cover ratios with Trigger Event thresholds for the 2024/25 and 2025/26 financial years. Gearing ratios as at 30 September 2024 and current projections of financial covenants, at the time of preparation assume a recapitalisation of the business in 2025/26, and continue to show similar results of non-compliance. As such, the TWUL Group continues to operate with the restrictions arising from being in Trigger as per the WBS. This includes a cash lockup preventing distributions and a prohibition from incurring additional debt unless consent is given by the Secured Creditors, other than utilisations or amendments and extensions of existing committed facilities. A remedial plan has been submitted to the Security Trustee and further information has also been provided to Secured Creditors.

In assessing going concern, a severe but plausible downside case has been considered where the ability of household customers to pay their bills has been adversely affected reflecting the economic uncertainty associated with various macro factors such as a decline in real wages, a reduction in economic activity and inflationary pressures on operating costs. This would result in lower collection rates, higher bad debt charges and lower billable volumes in the non-household sector due to reduced consumption. Furthermore, the downside case assumes higher operational costs associated with various efficiency programmes not being delivered, adverse weather as well as the crystallisation of fines proposed by Ofwat in relation to regulatory investigations into

Director's report (continued)

Going concern (continued)

wastewater operations and the October 2023 dividend payment. To mitigate the impact on operational cashflows, active working capital management, and the release of contingencies embedded within the Business Plan have also been considered.

Under a severe but plausible downside scenario, a Trigger event would continue and an Event of Default is forecasted for 2024/25 and 2025/26 due to non-compliance of interest cover ratios with the required threshold. However, the interest cover ratio is not scheduled to be tested until after the expected implementation date of the Liquidity Extension Transaction and modifications to the financial covenants are proposed in the Liquidity Extension Transaction. TWUL would expect to remain in Trigger for the next two years, although TWUL would not be required to comply with its existing financial covenants during that period once the Restructuring Plan becomes effective. TWUL instead will be required to comply with a minimum liquidity covenant, which is forecast to be complied with in the base case and in a scenario involving a CMA referral.

In the event of an event of default, the TWUL Group and therefore TWUL would enter into an automatic 18-month standstill period (a "Standstill Period") during which Secured Creditors are prohibited from taking enforcement action or accelerating any of the TWUL Group's debt. During this period, £550 million of liquidity facilities would be available to finance specific costs incurred by the business, thereby providing additional runway. However, there would be restrictions on TWUL's operations including the cessation of capital expenditure other than for essential maintenance. These liquidity facilities will be cancelled in the event that the Restructuring Plan is approved and whilst the TSA is in place the TWUL Group has agreed not to draw these without the consent of the relevant lenders ahead of the implementation of the Liquidity Extension Transaction.

4. Regulatory licence compliance
There are scenarios where a revised business plan would need to be prepared to take account of available funding during the going concern assessment period. The implementation of a revised business plan would deliver less for customers, communities, and the environment and may result in a failure to comply with relevant standards, environmental permits and other legislation that could lead to enforcement action by regulators, including Ofwat. Depending on the severity of non-compliance, this could give rise to grounds for the Secretary of State (or Ofwat, with the consent of the Secretary of State) to petition the court for a Special Administration Order. A petition could also be made if the TWUL Group is unable to pay its debts.

The purpose of the Special Administration Regime is to protect the interests of the customers in the event a water company (the regulated entity) is or is likely to be unable to pay its debts or is in contravention with its principal statutory duties or an enforcement order.

Conclusion
In assessing whether the 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.

Accordingly, the Directors believe that it is reasonable to assume that actions can be taken such that the Company 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.

However, there exists a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern in relation to the preparation of the financial statements given the Company do not have sufficient committed liquidity to meet their liabilities as they fall due for a period of at least 12 months from the approval of the financial statements.

The ability of the Company to extend the liquidity runway is not wholly within their control and is dependent on the implementation of a Liquidity Extension Transaction. The implementation of the Liquidity Extension Transaction, and the subsequent securing of additional funding via a creditor led solution and / or equity, is dependent upon a number of matters which, individually and collectively, are outside of the Company's control; these are due to commence shortly after the approval of these interim financial statements. The convening hearing date for the Restructuring Plan is scheduled for 17 December 2024 and, without a Restructuring Plan approved by the court (expected to be effective at 31 January 2025), the liquidity runway ends during March 2025. The Liquidity Extension Transaction is intended to allow the TWUL Group to progress its current equity raise process and support a holistic recapitalisation transaction.

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

Alastair Cochran
Chief Financial Officer

10 December 2024

Condensed income statement

For the six-month period ended 30 September

	Underlying £m	Exceptional items £m	BTL £m	Total £m	Underlying £m	Exceptional items £m	BTL £m	Total £m
Revenue	1,326.2	-	66.8	1,393.0	1,210.9	-	58.8	1,269.7
Operating expenses	(1,050.3)	(143.5)	-	(1,193.8)	(1,008.7)	(17.8)	-	(1,026.5)
Impairment losses on trade receivables and contract assets	(24.6)	-	(0.3)	(24.9)	(26.3)	-	(0.3)	(26.6)
Total operating expenses	**(1,074.9)**	**(143.5)**	**(0.3)**	**(1,218.7)**	**(1,035.0)**	**(17.8)**	**(0.3)**	**(1,053.1)**
Other operating income	77.7	-	-	77.7	69.7	-	-	69.7
Operating profit	**329.0**	**(143.5)**	**66.5**	**252.0**	**245.6**	**(17.8)**	**58.5**	**286.3**
Finance income	148.2	-	-	148.2	139.9	-	-	139.9
Finance expense	(377.9)	(11.1)	-	(389.0)	(392.2)	-	-	(392.2)
Net gains on financial instruments	68.8	-	-	68.8	39.2	-	-	39.2
Impairment losses on intercompany loans	-	(310.9)	-	(310.9)	-	-	-	-
Profit/(loss) on ordinary activities before taxation	**168.1**	**(465.5)**	**66.5**	**(230.9)**	**32.5**	**(17.8)**	**58.5**	**73.2**
Tax (charge)/credit on profit on ordinary activities	(41.5)	38.7	(16.7)	(19.5)	(20.4)	4.5	(14.6)	(30.5)
Profit/(loss) for the period	**126.6**	**(426.8)**	**49.8**	**(250.4)**	**12.1**	**(13.3)**	**43.9**	**42.7**

Condensed statement of other comprehensive income

For the six-month period ended 30 September

		2024				2023		
	Underlying £m	Exceptional items £m	BTL £m	Total £m	Underlying £m	Exceptional items £m	BTL £m	Total £m
Profit for the period	126.6	(426.8)	49.8	(250.4)	12.1	(13.3)	43.9	42.7
Other comprehensive income								
Will not be reclassified to the income statement:								
Net actuarial gain/(loss) on pension schemes	16.8	-	-	16.8	(11.9)	-	-	(11.9)
Deferred tax (charge)/credit on net actuarial gain/(loss)	(4.2)	-	-	(4.2)	4.4	-	-	4.4
May be reclassified to the income statement:								
Cash flow hedges transferred to income statement	2.8	-	-	2.8	9.3	-	-	9.3
Deferred tax charge on cash flow hedge transfer	(0.7)	-	-	(0.7)	(2.3)	-	-	(2.3)
Other comprehensive (expense)/income for the period	14.7	-	-	14.7	(0.5)	-	-	(0.5)
Total comprehensive income/(expense) for the period	141.3	(426.8)	49.8	(235.7)	11.6	(13.3)	43.9	42.2

The Company's activities underpinning the results 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 by some of our financial covenants.

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

Condensed statement of financial position

As at

	30 September 2024			Restated[1] 31 March 2024		
	Underlying £m	BTL £m	Total £m	Underlying £m	BTL £m	Total £m
Non-current assets						
Intangible assets	220.0	-	220.0	233.9	-	233.9
Property, plant and equipment	20,036.4	-	20,036.4	19,371.8	-	19,371.8
Investment property	2.0	-	2.0	2.0	-	2.0
Investment in subsidiaries	207.7	-	207.7	207.7	-	207.7
Right-of-use assets	33.4	-	33.4	36.5	-	36.5
Derivative financial assets	185.6	-	185.6	293.8	-	293.8
Intercompany loans receivable	545.5	-	545.5	1,200.6	-	1,200.6
Prepayments	-	547.1	547.1	-	493.4	493.4
Insurance and other receivables	36.9	-	36.9	38.9	-	38.9
Pension asset	29.2	-	29.2	33.0	-	33.0
	21,296.7	547.1	21,843.8	21,418.2	493.4	21,911.6
Current assets						
Inventories	26.3	-	26.3	23.3	-	23.3
Intercompany loans receivable	734.7	-	734.7	351.2	-	351.2
Trade receivables	765.0	44.9	809.9	288.6	7.5	296.1
Contract assets	318.1	6.2	324.3	373.8	25.7	399.5
Prepayments	83.1	-	83.1	45.2	-	45.2
Insurance, other receivables and amounts owed by group undertakings	64.1	-	64.1	63.3	-	63.3
Derivative financial assets	11.8	-	11.8	29.2	-	29.2
Cash and cash equivalents	1,105.3	11.7	1,117.0	1,273.3	6.3	1,279.6
	3,108.4	62.8	3,171.2	2,447.9	39.5	2,487.4
Current liabilities						
Contract liabilities	(548.8)	(19.7)	(568.5)	(132.9)	(0.5)	(133.4)
Trade and other payables	(986.0)	(33.3)	(1,019.3)	(1,001.2)	(54.7)	(1,055.9)
Bank overdraft	-	-	-	(126.7)	-	(126.7)
Borrowings	(1,566.3)	-	(1,566.3)	(1,532.4)	-	(1,532.4)
Lease liabilities	(6.8)	-	(6.8)	(7.8)	-	(7.8)
Derivative financial liabilities	(100.9)	-	(100.9)	(65.1)	-	(65.1)
Provisions for liabilities and charges	(53.6)	-	(53.6)	(104.5)	-	(104.5)
	(3,262.4)	(53.0)	(3,315.4)	(4,251.3)	(55.2)	(4,306.5)
Net current (liabilities)/assets	(154.0)	9.8	(144.2)	(1,803.4)	(15.7)	(1,819.1)
Non-current liabilities						
Contract liabilities	(1,084.6)	-	(1,084.6)	(1,039.1)	-	(1,039.1)
Borrowings	(16,028.4)	-	(16,028.4)	(15,427.1)	-	(15,427.1)
Lease liabilities	(42.9)	-	(42.9)	(45.2)	-	(45.2)
Derivative financial liabilities	(1,145.3)	-	(1,145.3)	(1,308.3)	-	(1,308.3)
Deferred tax	(1,315.7)	-	(1,315.7)	(1,328.0)	-	(1,328.0)
Provisions for liabilities and charges	(339.5)	-	(339.5)	(209.6)	-	(209.6)
Pension deficit	(115.1)	-	(115.1)	(152.1)	-	(152.1)
	(20,071.5)	-	(20,071.5)	(18,228.7)	-	(18,228.7)
Net assets	1,071.2	556.9	1,628.1	1,386.1	477.7	1,863.8
Equity						
Called up share capital	76.5	-	76.5	76.5	-	76.5
Share premium	100.0	-	100.0	100.0	-	100.0
Cash flow hedge reserve	-	-	-	(2.1)	-	(2.1)
Revaluation reserve	759.7	-	759.7	770.9	-	770.9
Retained earnings	135.0	556.9	691.9	440.8	477.7	918.5
Total equity	1,071.2	556.9	1,628.1	1,386.1	477.7	1,863.8

[1] The prior year current / non-current classification of borrowings has been restated due to the impact of the amendments to IAS 1 'Presentation of Financial Statements'.

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.

Condensed statement of changes in equity

For the six month period ended 30 September 2024

	Share capital £m	Share premium £m	Cash flow hedge reserve £m	Revaluation reserve £m	Retained earnings £m	Total equity £m
1 April 2023	29.0	100.0	(16.1)	795.5	1,127.1	2,035.5
Loss for the year	-	-	-	-	(50.4)	(50.4)
Cash flow hedge transfer to the income statement	-	-	18.7	-	-	18.7
Deferred tax charge on cash flow hedge	-	-	(4.7)	-	-	(4.7)
Net actuarial gain on pension scheme	-	-	-	-	18.9	18.9
Deferred tax charge on net actuarial gain	-	-	-	-	(5.9)	(5.9)
Total comprehensive income	-	-	14.0	-	(37.4)	(23.4)
Transfer of depreciation[1]	-	-	-	(32.8)	32.8	-
Deferred tax on depreciation transfer[1]	-	-	-	8.2	(8.2)	-
Dividends paid	-	-	-	-	(195.8)	(195.8)
Share capital issued[2]	47.5	-	-	-	-	47.5
31 March 2024	76.5	100.0	(2.1)	770.9	918.5	1,863.8
Profit for the period	-	-	-	-	(250.4)	(250.4)
Cash flow hedge transfer to the income statement	-	-	2.8	-	-	2.8
Deferred tax on cash flow hedge	-	-	(0.7)	-	-	(0.7)
Actuarial loss on pension scheme	-	-	-	-	16.8	16.8
Deferred tax credit on actuarial loss	-	-	-	-	(4.2)	(4.2)
Total comprehensive income	-	-	2.1	-	(237.8)	(235.7)
Transfer of depreciation[1]	-	-	-	(15.0)	15.0	-
Deferred tax on depreciation transfer[1]	-	-	-	3.8	(3.8)	-
Share capital issued	-	-	-	-	-	-
30 September 2024	76.5	100.0	-	759.7	691.9	1,628.1

[1] The movement between the revaluation reserve and retained earnings arising from the depreciation and associated deferred tax in the fair value uplift on assets.
[2] 47,500,000 shares with a nominal value of £1 each were issued during the reporting period to the immediate parent, Thames Water Utilities Holding Limited, for a total value of £47,500,000.

Condensed statement of cash flows

For the six month period ended 30 September 2024

	2024			2023		
	Underlying £m	BTL £m	Total £m	Underlying £m	BTL £m	Total £m
Operating activities:						
Profit/(loss) for the period	(300.2)	49.8	(250.4)	(1.2)	43.9	42.7
Less finance income	(148.2)	-	(148.2)	(139.9)	-	(139.9)
Add finance expense excluding interest on lease liabilities	387.4	-	387.4	390.9	-	390.9
Add interest expense on lease liabilities	1.6	-	1.6	1.3	-	1.3
Less net gains on financial instruments	(68.8)	-	(68.8)	(39.2)	-	(39.2)
Add impairment on loan receivable	310.9	-	310.9	-	-	-
Add/(less) taxation on profit/(loss) on ordinary activities	2.8	16.7	19.5	15.9	14.6	30.5
Operating profit	185.5	66.5	252.0	227.8	58.5	286.3
Depreciation on property, plant and equipment	346.8	-	346.8	327.8	-	327.8
Amortisation of intangible assets	35.8	-	35.8	34.5	-	34.5
Depreciation of right of use assets	3.4	-	3.4	3.6	-	3.6
Impairment of property, plant and equipment	-	-	-	15.8	-	15.8
Less gain on sale of property, plant and equipment	(1.3)	-	(1.3)	(21.6)	-	(21.6)
Difference in pension charge and cash contribution	(19.1)	-	(19.1)	0.8	-	0.8
(Increase)/decrease in inventory	(3.0)	-	(3.0)	(7.7)	-	(7.7)
Increase in trade and other receivables	(427.9)	(72.9)	(500.8)	(374.3)	(69.3)	(443.6)
Decrease/(increase) in contract assets	(29.5)	1.3	(28.2)	(28.9)	(4.8)	(33.7)
Increase/(decrease) in trade and other payables	(63.7)	(8.9)	(72.6)	(56.2)	-	(56.2)
Increase in contract liabilities	461.4	19.4	480.8	450.2	20.5	470.7
Increase in provisions	118.4	-	118.4	11.9	-	11.9
Net cash generated by operating activities[1]	606.8	5.4	612.2	583.7	4.9	588.6
Investing activities:						
Purchase of property, plant and equipment[2]	(1,020.7)	-	(1,020.7)	(952.1)	-	(952.1)
Purchase of intangible assets	(21.9)	-	(21.9)	(20.8)	-	(20.8)
Proceeds from sale of property, plant and equipment[3]	1.3	-	1.3	4.9	-	4.9
Interest received	137.9	-	137.9	94.5	-	94.5
Net cash used in investing activities	(903.4)	-	(903.4)	(873.5)	-	(873.5)
Financing activities:						
New loans raised	1,167.1	-	1,167.1	370.7	-	370.7
Repayment of borrowings	(632.4)	-	(632.4)	(716.4)	-	(716.4)
Repayment of lease principal	(5.0)	-	(5.0)	(5.1)	-	(5.1)
Interest paid	(262.8)	-	(262.8)	(180.2)	-	(180.2)
Payment for derivative settlement	-	-	-	(117.2)	-	(117.2)
Net fees paid	(11.6)	-	(11.6)	(8.4)	-	(8.4)
Net cash used in financing activities	255.3	-	255.3	(656.6)	-	(656.6)
Net (decrease)/increase in cash and cash equivalents	(41.3)	5.4	(35.9)	(946.4)	4.9	(941.5)
Net cash and cash equivalents at beginning of period	1,146.6	6.3	1,152.9	1,828.1	7.0	1,835.1
Net cash and cash equivalents at end of period	1,105.3	11.7	1,117.0	881.7	11.9	893.6

[1] Net cash generated by operating activities for the six months ended 30 September 2024 includes £35.9 million (30 September 2023: £5.7 million) payments that are considered to be exceptional. An exceptional outflow of £69.7 million was recognised in the year ended 31 March 2021 which related to defined benefit pension upfront deficit repayments for the remainder of AMP7. If this prepayment had not been made it would have resulted with a cash payment of £10.2 million for the six-month period ended 30 September 2024. If cash payment had been made, then the net cash generated by operating activities for the six-month period ended 30 September 2024 would be £602.0 million.
[2] Purchase of property, plant and equipment includes an adjustment to account for the cash on accruals relating to additions of capital investment in the period.
[3] Proceeds from sale of property, plant and equipment for the six months ended 30 September 2024 does not include nil (30 September 2023: £16.7 million) of disposal presented in other operating income, which was in exchange for land (non-cash).

Bazalgette Tunnel Limited ("BTL") is an independent company, appointed in 2015 to construct the Thames Tideway Tunnel. Included in the cashflow are amounts in relation to arrangement with BTL and therefore our underlying amounts are disclosed separately as required by some of our financial covenants.

Notes to the condensed company financial statements

1. Post Balance Sheet Events

In October 2024:

- the intercompany loans with TWUF in respect of a total of £410.0 million Class A Revolving Credit Facilities due in October 2024 were rolled over to November 2024;
- S&P downgraded the Class A rating to CC with negative outlook and the Class B rating to C with negative outlook; and
- on 25 October 2024, TWUL announced a proposed transaction to extend the Group's liquidity runway. This includes up to £3 billion of new money in addition to access to cash reserves and debt extensions. With the support of our creditors, this will allow us to progress our equity raise process and a holistic recapitalisation transaction. It will also allow us to complete the Final Determination process, including a CMA appeal if necessary, and deliver our ambitious PR24 plan for the benefit of our customers and the environment.

In November 2024:

- the intercompany loans with TWUF in respect of a total of £775.8 million Class A Revolving Credit Facilities due in November 2024 were rolled over and are now due in May 2025.
- Following a bondholder consent, debt service and operational & maintenance reserved cash is now available to be used and is intended to provide TWUL with a cash runway to March 2025, enabling TWUL to continue with progressing its equity raise process and holistic recapitalisation transaction.

In December 2024:

- a total of £725.0 million Class A Revolving Credit Facilities due in December 2024 were instructed by TWUL to be rolled over and so once rolled, will be due in June 2025.
- a total of £530.0 million Class A Revolving Credit Facilities due in December 2024 were instructed to be rolled over and so once rolled, will be due in June 2025. TWUF originally loaned the proceeds from the drawdowns to TWUL on the same terms plus a margin. As a result of the drawdowns being rolled over, the intercompany loans will also be due in June 2025.