



Transforming for a resilient future

Thames Water is the UK's largest water and wastewater services provider, serving approximately 16 million customers across London and surrounding counties. We invest in critical infrastructure, strive to protect the environment and support communities for a sustainable future.

→ Find out more about how we take care of your water.



This annual report provides a high level summary of our performance against some of our key performance commitments and the operational priorities that form our CEO Chris Weston's management focus.

→ We report comprehensively on each of our AMP7 regulatory performance commitments in our Annual Performance Report, available on our website.

Our performance priorities

Operational and environmental KPIs¹

Health and safety²
Lost-time injuries

35
(-14.6%; FY24: 41)

Water quality
Compliance risk index³

2.04
(FY24: 1.43)

Supply interruptions⁴

9m 35s
(-43.3%; FY24: 16m 56s)

Leakage⁵

13.2% lower
(FY24: 12% lower)

Total pollutions⁶

470
(+34.3% 2023: 350)

Total household complaints⁷

69,311
(-16.6%; FY24: 83,146)

Financial KPIs⁸

Total revenue

£2.7 billion
+8.7% year on year

Underlying revenue

£2.6 billion
+8.4% year on year

Total loss before tax

£1.6 billion
(FY24: £157 million profit)

Underlying EBITDA

£1.3 billion
+10.5% year on year

Investment in assets⁹

£2.2 billion
+6.8% year on year

Liquidity¹⁰

£1.7 billion

Senior gearing

84.4%
(FY24: 80.6%)

Sustainability KPIs¹

6,376 MI

Sewage diverted from the Thames into the London Tideway Tunnel system between 24 August 2024 and 22 March 2025. Final testing and handover due for completion later this year.

Energy needs self-generated

28.4%
(FY24: 27%)

Number of households on social tariff

408,670
(FY24: 358,357)

1 The operational and environmental, and sustainability KPIs included here align with our six priority focus areas for FY25, as part of our plan to turn around our performance. Our KPIs no longer include operating cash flows as we focus on our debt and liquidity position.
2 We have updated our reporting to a count of lost-time injuries. An incident that results in a colleague being absent from the workplace for one or more days, not including the day of the incident. Last year we reported the number of injuries per 100,000 hours worked.
3 The annual aggregated score of our level of treated water compliance incidents. We missed our regulatory target for the year.
4 We missed our regulatory target for the year.
5 Reflects 3-year rolling average leakage reduction on 2019/20 baseline. We missed our regulatory target for the year.
6 A calendar year measure. There are currently four categories set by the Environment Agency and our regulatory measure includes categories 1 – 3. We missed our regulatory target for the year.
7 Complaints received from all channels, which are revenue, water, wastewater and metering.
8 Underlying performance excludes the arrangement with Bazalgette Tunnel Limited (BTL) and exceptional items.
9 The 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.
10 As 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.

Contents

Strategic report	
Key performance indicators	2
Purpose and strategy	3
Chair statement	4
CEO statement	5
Management focus	11
Engaging with stakeholders	19
Risk management	21
Long-term viability statement	28
ESG highlights	31
Our people	32
TCFD	35
Financial Review	44
Governance report	
Chairman's introduction	50
Compliance statement	51
Board of Directors	53
Governance at a glance	55
Executive team	56
Board roles and responsibilities	57
Board composition	58
Board activities and decisions	59
Board engagement with stakeholders	60
Board workforce engagement	61
Board committee reports	62
Directors' Remuneration Report	75
Directors' Report	91
Financial statements	
Independent auditors report	95
Consolidated primary financial statements	104
Accounting policies	107
Consolidated notes to the financial statements	127
Company primary financial statements	159
Company notes to the financial statements	162

Purpose and strategy

Transforming to deliver...

Our management focus helps us to deliver on our Purpose, “Delivering life’s essential service, so our customers, communities and the environment can thrive.”



1 Our Customers and the Environment p12

- Deliver safe, reliable drinking water
- Reliably remove and treat waste with minimal pollutions
- Be easy to deal with
- Support customers who need extra help

Highlights
17%
 reduction in complaints this year

13%
 increase in the number of households on our social tariff this year



2 Our Assets p13-14

- Invest to improve resilience
- Invest to address population growth and climate change
- Modernise our digital estate

Highlights
£2.2bn
 invested in our assets this year



3 Our Performance p15-17

- Deliver operational excellence; effective, productive, efficient and on-time
- Deliver within our means – meet our commitments and be investible

Highlights
7 of 12
 Best in AMP performance for 7 of 12 (58.3%) Ofwat key performance commitments

43%
 Improvement in supply interruptions



4 Our People p18

- Keep each other safe and well
- Develop our capabilities – ourselves, leadership, and our culture

Highlights
71%
 employee engagement score (+2 percentage points on 2023)

15%
 reduction in lost time injuries (LTI)

...Our vision for 2050

Every decision, every investment, and every improvement is a step towards our 2050 vision – a resilient, high-performing Thames Water that serves communities and the environment for generations to come.



For customers p12

Making sure everyone continues to have access to top-quality water and a reliable waste system

Providing outstanding service and value for all our customers

Motivating customers to save water and protect the environment



For communities p14

Using our land to benefit surrounding communities

Equipping local communities with the skills they need to thrive

Championing our people to deliver our Purpose



For the environment p13-17

Investing in our network to prevent leaks and keep water flowing

Preventing all wastewater pollution and leading wider efforts to restore river health and increase biodiversity

Producing all the green energy we can to power what we do

Chairman's statement

Focused on increasing stability



Although it's been a very challenging year for the business and its people, we've made progress in putting Thames Water on a more stable platform as we enter the next regulatory period."

Sir Adrian Montague
Chairman

We remain of the view that a market-led solution is in the best interests of our customers, UK taxpayers and the environment, and it is testament to our people that we're moving forward with our recapitalisation and operational turnaround. It hasn't been an easy path to get here, and we still face significant challenges, but we're moving in the right direction.

Despite the huge scrutiny we are under, our teams have remained focused on the business priorities and the delivery of our essential services. And Chris and his Executive team have done a good job maintaining focus on what's most important to our customers, colleagues and the environment during a tumultuous year. I want to thank everyone for their huge commitment to turning this business around.

Putting the business on a more stable financial foundation

During the year, we appointed a Chief Restructuring Officer, Julian Gething, to deliver the recapitalisation process, enabling Chris and his team to focus on operating the business and delivering the turnaround.

The holistic recapitalisation of the business and the stabilisation of our balance sheet involves three key elements – a liquidity extension plan, which includes a restructuring of our existing debt, equity investment through a new owner and a financeable and investable Final Determination for the 2025 to 2030 regulatory period.

The first part of the financial restructuring, and the associated court process, has been much lengthier than was first envisaged, and it's still not yet complete. There have also been interim funding challenges, which the team has worked through meticulously and successfully with customers in mind. Many people have worked long hours, dedicated to getting Thames Water back on track and putting the business on the strongest path forward. While there's been an application to take an appeal on our liquidity extension proposal to the Supreme Court, we remain confident in our plan, which had a strong sanction in both the High Court and the Court of Appeal and is in the best interests of customers.

At the same time, we've been running an equity raise process and, following the withdrawal of KKR, we are making good progress with our creditor-led process. We've been spending a lot of time with our creditors to help them really understand the business.

PR24 has been a challenging Price Review – the business cannot continue being penalised for not meeting unachievable and conflicting targets that only served to make the situation worse. After announcing our request to refer our Final Determination to the Competition and Markets Authority in February 2025, we subsequently asked for a deferral in March 2025, in the hope we could secure a Final Determination that was in the best interests of customers and the environment without having to take it to the Competition and Markets Authority.

Governance

During the year, we've seen a number of changes to the Board, in part due to the changing position of our existing shareholders. Michael McNicholas, who represented major shareholder OMERs, and John Holland-Kaye, representing USS, both stepped down as Non-Executive Directors, as did Independent Non-Executive Directors Hannah Nixon and Jill Sheddon. I'd like to thank them all for their contribution to Thames Water.

Since then, we've welcomed new Directors, who bring strong and diverse skills suited to the challenges that Thames Water is facing. Nirmal Kotecha, Andrew McNaughton and Adam Banks have joined the Board as Independent Non-Executive Directors in the last year, and all have significant experience in infrastructure businesses.

Given our situation relating to our liquidity and the PR24 process, our credit ratings were downgraded during the year to fall below investment grade. As a result, we made a number of commitments with Ofwat, including the appointment of an independent monitor to report on our turnaround progress. L.E.K. Consulting were appointed as the monitor in October 2024. We also agreed to appoint two new Non-Executive Directors, with Aidan de Brunner and Neil Robson joining us as Independent Non-Executive Directors as part of our undertakings.

In March 2025, Alastair Cochran left as our Chief Financial Officer after three years with the business. Al had taken on the role of co-Interim CEO, at very short notice before the arrival of Chris, and I'd like to thank him for his hard work throughout a very challenging time for Thames Water. Steve Buck, previously CFO at Pennon and Anglian Water, joined as our new CFO in April 2025 and brings a wealth of water sector experience.

I've never known such a busy time for a Board – there have been 29 meetings during the year, many of them ad-hoc and at short notice, with Directors demonstrating their commitment to securing the right solution for Thames Water and its customers. During the year, there was a Board Effectiveness Review, and I was really pleased to see a significant improvement since our last review in 2023 see page 50 for further information.

Reforming the sector

It's clear from the situation Thames Water is in, as well as the challenges faced by our peers, that the sector requires major reform. To that end, we welcome the Cunliffe Review, which is the largest-ever review of water sector regulation, led by Sir Jon Cunliffe. I, as well as people across the business and many of our stakeholders, supported Sir Jon and his team in his research and we look forward to continuing to engage as the Review evolves.

Looking ahead

This will continue to be a busy time for the Board, as we support the recapitalisation and as the business delivers its operational and financial objectives. What's clear is that the strength and resilience of the team at Thames Water has enabled us to continue delivering for our customers and the environment in the face of significant adversity. For that, they should be very proud.

Thank you.

Sir Adrian Montague
Chairman of Thames Water Utilities Limited

Chief Executive Officer's statement

Delivering life's essential service during a challenging year



Thames Water is transforming. We're taking bold action to improve performance, invest in critical infrastructure and rebuild trust. Our focus is clear – delivering for our customers, protecting the environment and securing a resilient future for generations to come."

Chris Weston
Chief Executive Officer

A dedicated team

I want to start by thanking our incredible teams for their commitment and delivery over the last year; they have done a great job in often challenging circumstances. The financial resilience issues we face continue to dominate the headlines. Despite this, the team has maintained focus on the delivery of our core priorities and services, and I want to thank each and every one of them for their dedication and resilience. In this context, the Executive Team and I were really encouraged to see our engagement score go up by two percentage points to 71% since our last survey. We've continued to deliver over 2.5 billion litres of clean water and treated 4.7 billion litres of wastewater every day of the year – the scale of what we do should not be understated.

Operational progress

As a result of our new operational structure, we made sustained progress overall against our six critical operational priorities. We also delivered best in-AMP performance for seven of Ofwat's 12 key 'Water Company Performance Report' measures. I am very mindful that we are not meeting our targets in a number of important areas.

I've been clear since I started that health and safety is my number one priority, and I'm really pleased we've reduced lost-time injuries by 15% during the year. Everyone must go home safe and well every single day. Health and safety improvements will always come first.

We reduced supply interruptions by over 40% and reduced complaints by 17%, and leakage was at its lowest-ever level, with a small reduction year on year. While our compliance risk index, which measures the potential risk to water quality, was up marginally, our water quality remains high, passing 99.97% of over 400,000 tests in 2024. Reducing pollutions, however, continues to be a significant challenge for us, increasing to 470 from 350 pollutions in the last calendar year. Groundwater levels remained high and rainfall was above average, albeit not at the severity we saw in the previous year. Prolonged wet weather meant further rain had nowhere to go other than to inundate our ageing and fragile sewer network. Reducing pollutions and discharges is something we're really focused on, and we plan to invest record amounts in our waste network during the next five years.

The last five years

Last year marked the final year of a five-year regulatory period, which was bookended by a global pandemic and challenges to our financial resilience. Despite the intense pressure the business has been under, we must also recognise what we've achieved in the last five years.

We've invested a record £8.5 billion in our infrastructure since 2020, after a slower-than-planned start to our major projects programme due to lockdown and restrictions on construction work. We have invested huge amounts in our water network since 2020, including replacing over 200 km of water mains, which helped us bring leakage down by 13.2% over five years, although Ofwat had set us the target of a 20.5% reduction. We also invested in customer service, digital innovations and treatment works upgrades. Our financial resilience issues have been front and centre and have dominated the headlines. However, behind the scenes, one of the defining moments of the last year was the connection of the newly constructed £4.5 billion Thames Tideway Tunnel to our London network, including our existing Lee Tunnel. Together with the upgrades we've made to major works

in London, these two super sewers will reduce the volume of sewage entering the tidal River Thames by 95% once fully operational – that's millions of tonnes of sewage that are now being diverted from the river. And the next five years will see us continuing to invest in London rivers and making record investments across the Thames Valley and Home Counties.

Our transformation

During FY25, our transformation continued to gain momentum. The reorganisation of the business to fit with the lifecycle of our assets has helped break down silos, with everyone responsible for building, planning and operating our infrastructure now brought together in one team, led by our recently appointed Chief Operating Officer. To get things right for our customers, we need to focus on fixing our infrastructure. These new ways of working will take time to embed fully, but we're already seeing performance progress as a result. As we move into the next regulatory period, we will deliver the next stage of our transformation programme, investing extensively in our assets, performance and people.

Chris meeting colleagues at Fobney water treatment works

+2

Two percentage point increase in employee engagement score

£8.5bn

invested in our infrastructure since 2020



Chief Executive Officer's statement continued



Highlights

Supply interruptions

43.3%
improvement

(FY25: 9m 35s; FY24: 16m 56s)

Complaints

16.6%
improvement

(FY25: 69,311; FY24: 83,146)

Help for customers

To be able to invest in our network at the rate we need to in order to deliver for our customers and the environment, our bills have had to go up. Typical household bills have gone up by 40% in 2025-26. We know that's been difficult for many of our customers, and we've been continuing to increase our support for those who need it. We're now helping over 400,000 customers with their bills.

PR24 and the Final Determination process

The Price Review 24 was incredibly challenging, and we received a Final Determination that was neither financeable nor investable. We're talking to our regulator, Ofwat, and our creditors about our Final Determination, in the hope that we can find a solution that removes the need for our referral to the Competition and Markets Authority, so we can keep focused on the delivery of our transformation for customers and the environment.



Despite the financial challenges of the year, we've focused on putting Thames Water on a more stable financial and operational path as we head into the next regulatory period."

Recapitalising the business

We have faced an increasingly challenging financial position during this year, and have focused on putting Thames Water on a more stable financial and operational path as we head into the next regulatory period. However, to be able to deliver for our customers, there needs to be a full reset of the regulatory landscape, based on the reality of where we are. And I look forward to seeing the recommendations made by Sir Jon Cunliffe in the Independent Water Commission report.

The recapitalisation process remains ongoing, but we're in an improved position compared to six months ago, and our creditors have been supportive throughout the process. Although we face resilience challenges, we've returned solid underlying growth in both revenue and underlying EBITDA.

We've continued to engage with our stakeholders as we move forward with our stabilisation and the transformation of the business. There have been some difficult conversations, but many have been constructive, and we remain committed to being open and transparent about what we're doing.

Preparing for the future

While there's much focus on the near-term challenges, it's also a time of opportunity and looking ahead to the future. We're embarking on our biggest-ever investment programme, which will deliver increased resilience for customers and improvements in environmental performance.

Water is fundamental to growth in the UK, and we have a huge responsibility to be ready for what the future will bring – 2 million more people are expected to move into our region by 2050, in addition to the 1 million more residents we have now compared to a decade ago, and new water infrastructure is needed for new housing. Water is also critical to the UK being able to remain at the forefront of new technology such as AI – every data centre we serve consumes the equivalent of thousands of homes' worth of water every day.

Without action, we're expecting a significant shortfall in the amount of water, as populations grow and climate change continues to get worse. The need to introduce hosepipe restrictions this summer makes this evident, which is why we're thinking ahead. We have seen huge success in the delivery of major critical infrastructure like the Thames Tideway Tunnel project, which is now fully connected and undergoing testing. Following this achievement, we're adopting an innovative model for the construction of our major new reservoir near Abingdon, which is planned to be completed by 2040, and this will secure water supplies for London and the South East for many years to come.



Water is fundamental to growth in the UK, and we have a huge responsibility to be ready for what the future will bring."

As we head into the new financial year, I'm pleased to see that we are already making good progress in all six of our operational priorities, including pollutions. No doubt, this year will be equally busy, however, we're optimistic about the future. Teams will continue to be heavily involved in the delivery of our recapitalisation, meanwhile, our primary focus is on delivering our essential services and building a better future for this business, one built on sustainability, service and accountability.

Chris Weston
Chief Executive Officer

Market review

Thames Water in context

How we deliver for our customers and the environment depends on the economic, political, social and environmental settings in which we operate.

The expectations of our customers, communities and stakeholders have never been higher. We continue to see rapid and significant changes around us and must anticipate and adapt to these challenges. We set out the environment our business is operating in over the next two pages, together with the challenges we face and our associated principal risks.

Key to principal risks

	Principal risk
Customer	Customer experience Engage stakeholders
Financial	Revenue collection Liquidity Inflation and interest rates
Operational	Legacy technology failure Employee and physical asset protection Cyber security and data protection Asset integrity and resilience Treat wastewater Supply of wholesome water Physical or mental harm Workforce
Regulatory	Biodiversity, climate change and population growth Values, standards, legal and regulatory obligations Regulatory, legislative or political developments

➔ See Principal risks and uncertainties on p22-23

Political and regulatory environment

A year has passed since the general election that saw a change of government and 81 new Members of Parliament elected in our region of 160 constituencies. In this time, the new Labour Government launched the largest review of the water sector regulatory framework since privatisation, led by Sir Jon Cunliffe. The Independent Water Commission has published its interim report recommending ambitious changes in the themes of strategic direction, legislative framework, regulatory reform, company governance, and asset health. The National Audit Office has also concluded its review of the effectiveness of regulation for investment and outcomes in the water sector. Its report found that Government, regulators and companies need to make sure the sector can attract the step up in investment needed, and rebuild trust. Furthermore, Dan Corry concluded his review of Defra’s regulatory landscape, recommending simpler and more consistent regulation, and greater support for green finance. We expect the Government to respond in due course.

In February this year, the Water (Special Measures) Act 2025 received Royal Assent, strengthening powers for government and regulators and including new rules on remuneration and governance, automatic penalties, pollution reduction plans and a single social tariff. New measures included in the Act limiting bonuses, introducing fit and proper persons tests for senior directors, were introduced on the passing of the Act. Section 5, introducing a requirement for WASCs to take account of green solutions in their Drainage and Wastewater Management Plans, was brought into force in June. Defra is currently consulting on the introduction of a Single Social Tariff, which is expected to be introduced in 2026.

The Environment Agency (EA) has significantly scaled up its policy and enforcement teams, forecast to quadruple the number of inspections by March 2026 and implement a ten-fold increase from April 2026. For Thames, this has already seen a 160% increase in the number of Compliance Assessments issued

in 2024 compared to 2023. The Environment Agency is proposing significant changes in its Environmental Performance Assessment by means of revised definitions and/or thresholds for 6 existing metrics (including, of particular significance, changes to pollutions reporting which are likely to result in a significantly increased number of occurrences being considered as pollutions), as well as the development of 6 new metrics (including descriptive permit compliance, storm overflows, and annual flow permit limit compliance).

The Drinking Water Inspectorate has also during the year acquired from Defra responsibility for enforcing the Security and Emergency Measures Direction 2022.

In December 2024, Ofwat published Final Determinations for companies following the 2024 price review (PR24). After careful consideration, our Board unanimously concluded that the FD does not appropriately support the investment that is required for Thames Water to deliver for our customers and the environment over AMP8, and asked Ofwat to refer the FD to the Competition and Markets Authority (CMA) for redetermination. 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 22 July 2025, while ongoing conversations seek a market-led solution to recapitalisation, without the need for a CMA reference. Looking more broadly at the policy landscape, the UK Government’s 25-Year Environment Plan (25YEP), Environmental Improvement Plan (EIP) 2023, and Environment Act 2021 continue to provide a framework for environmental improvements, in particular for storm overflows, phosphorous discharges, and reductions in the use of public water supply per person.

Link to principal risks

- Regulatory, legislative or political developments
- Engage stakeholders



Customer and stakeholder expectations

Thames Water has made significant improvements in delivering what matters most for customers, in particular addressing supply interruptions and reducing complaints. But customers have increasingly high expectations from the businesses they deal with, and in several cases performance remains below our targets.

The UK Customer Satisfaction Index remains close to its lowest level in 10 years when looking across all sectors. Within this, utilities rank lowest, with even lower satisfaction levels for water than energy. CCW Water Matters research found that satisfaction with water companies has fallen in recent years, and it is clear that media coverage has a significant influence. Customers no longer judge us purely on the quality of our service, but also on how we are led and governed, and our ethical and social commitment. 77% of our customers think that it is important that companies act as a force for good. 94% agree that we should work to reduce our impact on the environment. There is also a widespread expectation that our rivers will meet bathing water quality standards, a much higher standard than is legally required today. Indeed, 64% of our customers support the total elimination of river spills by 2030. Since the Covid pandemic, customers have built greater connections with their environment and waterways, and the UK water industry has faced challenges to meet their heightened expectations. Being open, honest and transparent is important to build and maintain trust.

Link to principal risks

- Customer experience
- Values, standards, legal and regulatory obligations
- Regulatory, legislative or political developments
- Engage stakeholders

➔ Find out more: Management focus – our assets on p12

Market review continued

£ Affordability

Our region is the most unequal in the UK: for two decades, London has had the highest poverty rate in the UK, with nearly a quarter of households in poverty, but we also have some of the most affluent households, with London and the South East having the highest level of disposable income in the UK, averaging nearly 50% higher than the rest of the country.

In December, Ofwat published its Final Determination for our charges for the coming five years. We are optimistic that ongoing discussions with Ofwat, or a redetermination by the CMA, will enable the significant investment our customers and stakeholders expect. Our average combined water and wastewater bill for 2025/26 is £639, which we recognise will be challenging for many of our customers, and are committed to creating plans that are efficient in scope and cost. We offer affordability support to customers in financially vulnerable circumstances. Our social tariff provides a 50% discount, with support provided to 408,670 customers at the end of 2024/25, an increase of 50,313 over the year. We also provide additional support for those with a high essential need for water and those in debt. Thames Water is supporting the Government's plans to introduce a single social tariff, and will work to see it is implemented in a way that enhances the support we are currently able to offer to our customers.

Link to principal risks

- Revenue collection
- Inflation and interest rates
- Engage stakeholders

→ Find out more about ESG on p31

🔧 Ageing assets

We have the oldest and most complex physical assets compared to all other regions in England and Wales – with an average age of 79 years compared to the industry average of 56 years. We are also the only company in the industry where almost 40% of our assets are over 100 years old, and we know that failures are strongly correlated with asset age. 60% of our mains are made of cast iron. Our geology of London Clay is susceptible to shrink-swell behaviour and is highly corrosive for iron pipes. Ofwat has acknowledged some of the challenges with our asset base and made provision for a £1bn asset health improvement allowance in our final determination, split evenly between water and wastewater. This will allow us to deliver performance improvements and improve resilience for customers and the environment. We have already made 6 initial submissions, requesting funds to address our some of our higher risk assets.

Technology is a key enabler for turning around our performance, and customers increasingly expect more digital engagement. Our digital infrastructure, including the applications we rely on and our resilience, requires considerable investment, and we continue to overhaul and modernise it.

Link to principal risks

- Design and deliver capital projects
- Legacy technology failure
- Asset performance and resilience
- Treat wastewater
- Supply of wholesome water

💧 Water demand and supply

Our region faces a growing demand for water. London and the Thames Valley are already among the most densely populated parts of the country, and the number of people living and working here is forecast to grow significantly. By 2050, we forecast there will be around two million more people living in our area and, by 2075, we forecast the population will rise to over 13 million from under 10 million today. Industrial uses are also significant. We've identified 108 proposed hyper or large data centres within our supply area. Each has the potential to request a peak demand for cooling that is equivalent to thousands of new homes and therefore needs to be carefully managed from a demand and UK growth perspective. We also need to manage requests from other large non-domestic users such as carbon capture plants, agricultural users and large factories using water as part of a production.

In October 2024, following approval from the Government, we published our Water Resources Management Plan 2024 (WRMP24). It sets out how we intend to provide a secure and sustainable water supply for our customers over the next 50 years. It highlights the challenges we face and the actions we plan to take to maintain the balance between water supply and demand. It includes measures to make sure we're all using water efficiently and losing less through leaks. It also explains why it's important that we work together to reduce our water usage, sets out why we need to invest in new sources of water and promotes our plans to work with nature.

61% of our household customers now have a water meter and we've installed over one million smart water meters so far, saving an average 13% of water use. Saving water by reducing leaks is also a priority for us. We've reduced leakage by more than 13% throughout this AMP, and although some leakage is unavoidable, we're aiming to halve it by 2050.

Link to principal risks

- Customer experience
- Biodiversity, climate change and population growth
- Legacy technology failure
- Asset performance and resilience
- Treat wastewater
- Supply of wholesome water

🌍 Climate change

Our climate is changing and our weather is becoming more unpredictable and extreme. The ten hottest years in southern England have all occurred since 2007. We're facing hotter, drier summers, which means there'll be less rain when we need it most, and extreme weather events will likely happen more often. Indeed, this summer we are having to introduce hosepipe restrictions. The Environment Agency has recognised the pressures on water resources by designating our region as seriously water stressed. The effects of a changing climate, a growing population and the need to reduce the amount of water we take from our rivers and chalk streams are all key drivers of investment in the coming years. We forecast that, if we do nothing, by 2050, we could end up with a deficit of 1 billion litres of water per day.

Climate change affects our region in other ways. Increased rainfall from climate change will mean a greater risk of pollutions and, by 2055, 40% more UK homes could be at high risk of surface water flooding. More frequent periods of drought will also increase leakage from cracked pipes.

Link to principal risks

- Biodiversity, climate change and population growth
- Supply of wholesome water

→ Find out more: TCFD on p35



Business model

How we deliver for customers, communities and the environment

Our Purpose

To deliver life's essential service, so our customers, communities and the environment can thrive.

Our patch follows the iconic River Thames and stretches from Gloucestershire to Essex, covering countryside, villages, towns and London, our capital city.



Our inputs

Physical assets

We maintain an extensive network of water and sewage infrastructure, including numerous water and sewage treatment works. Our infrastructure is critical for delivering clean water and managing wastewater across London and the Thames Valley.

Natural resources

We are responsible for safeguarding significant natural water resources, so they are managed sustainably and remain accessible to support public health and community wellbeing.

Financial capital

We need to manage substantial financial resources to maintain and upgrade our water and wastewater systems, investing in infrastructure efficiently for our customers.

Technology and innovation

Our operations are supported by cutting-edge technology, from monitoring water quality and system performance to leveraging innovative solutions for efficiency and sustainability.

Our people and culture

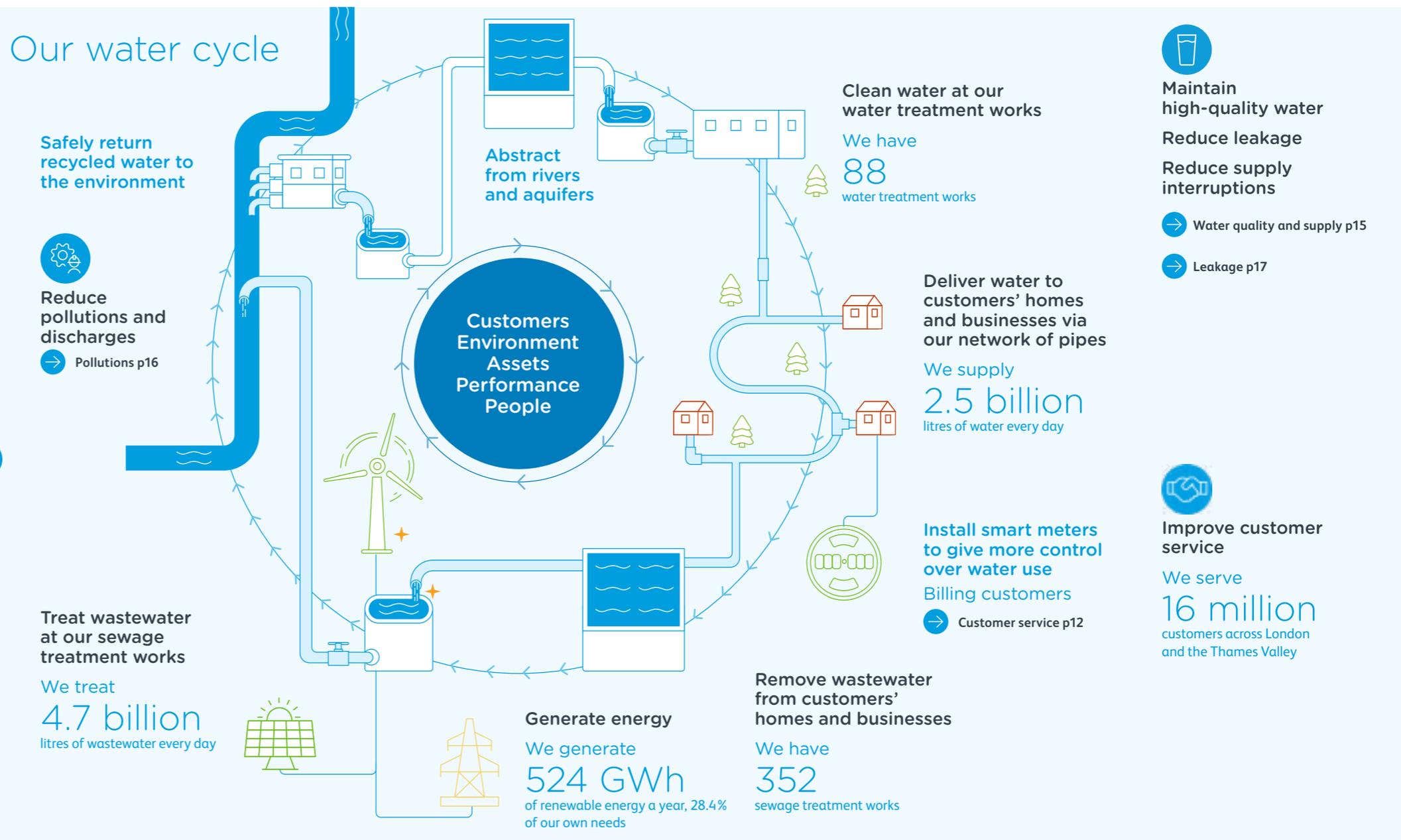
We employ more than 7,000 people and are committed to attracting, developing, and retaining a skilled and diverse workforce. Our people are at the heart of our operations, delivering essential water and wastewater services to the communities we serve.

Suppliers and partnerships

We work closely with a wide range of suppliers and partners to deliver safe, reliable and sustainable water services. We are committed to building strong relationships that align with our long-term goals.



Our water cycle



Business model continued

Sustainability

We strive to incorporate sustainability into every aspect of our business. It is central to everything we do and is reflected in the nine key themes of our sustainability policy.

- Protecting water, a precious resource
- Managing wastewater and sustainable drainage
- Mitigating climate change
- Adapting to climate change
- Delivering efficient operations
- Investing sustainably for the long term
- Promoting responsible operations
- Enhancing customer inclusion
- Maintaining a safe, inclusive and sustainable workforce

Our approach is aligned with the 17 United Nations Sustainable Development Goals (SDGs) which were created to make the world a more sustainable place. Supporting the SDGs is part of what we do every day as we deliver life's essential service to 16 million customers.

There are six specific goals where we can make a real contribution.



→ Our Sustainability Report and ESG Statement will include more detail and will be published in summer 2025.

→ This is how we spend every £1 we receive in revenue¹

55p  Investment in our infrastructure³

We invest as much as we can to increase the long-term resilience of our network and improve our service.



37p  Operational expenditure

To operate and maintain our network and improve our customer service.

This includes:

People

We pay our people fairly, including pensions and other benefits, to deliver your essential service.

Energy

To keep power costs down, we are increasing the amount of electricity we self-generate and entering forward contracts to buy energy in the future at a predetermined price per unit.

Government

We paid over £148 million in business rates in 2024/25. We're not currently paying corporation tax, mainly due to tax deductions for interest payments on our debt and because we're investing heavily in our infrastructure. We receive tax relief under the Government's capital allowances scheme. We pay employment taxes in relation to our people costs.

Zero  Dividends

No dividends were declared or settled in 2024/25. As such the dividend yield was 0%.

8p  Lenders²

We borrow money to invest in our infrastructure.

Setting our bills

Ofwat regulates the water industry so that it works well for customers now and in the future. Every five years, Ofwat reviews the plans of water companies to decide what they should deliver and how much revenue they can collect from customers. This allowed revenue is then used to set tariffs, which determine customer bills. Our average combined bill for 2024/25 was £488. We have received our Final Determination from the latest price review process, which, subject to ongoing discussions with Ofwat, determines our bills until 2030.

→ You can find more about our principal risks on page 21

→ We cover the risks and opportunities presented by climate change in our Task Force on Climate-related Financial Disclosures on page 35

→ The issues affecting our business are covered in our market review on page 7

¹ Values are calculated from our underlying consolidated statement of cashflows.
² New loans raised, repayment of borrowings, proceeds from derivative settlement and payment for derivative settlement are excluded in this diagram. The amount paid to lenders represents the net value of interest paid and received.
³ Value calculated from purchase of assets less cash received from asset sales.

Our management focus

Turning around our performance

2024/25 was the final year in the 2020-2025 regulatory period. We have seen challenges, but we continue to face into the root causes of these and are seeing improvements.

Through delivering our focused plan to turnaround the company, we have made significant improvements in important areas of operational performance, including supply interruptions and customer complaints. But there are more challenging areas, such as our pollutions and leakage performance, which require continued focus to make the improvements that we all want to see.

Our focused Turnaround Plan launched in November 2023 with three objectives:

1 Near-term stabilisation of the business

2 Delivering focused performance improvement in areas that matter most to customers and environment

3 Creating foundations for sustainable, long-term transformation over AMP8

We're running several turnaround initiatives to enhance our performance, services, and operations, with particular management focus on six operational priorities which are covered in the following pages;

→ Health and safety p18

→ Leakage p17

→ Pollutions p16

→ Supply interruptions p15

→ Water quality p15

→ Customer service p12

To achieve our objectives, we set out to:

- Understand root causes of challenges
- Build a plan to deliver key outcomes
- Measure incremental progress through leading indicators

Transforming for the future

There's still much we want and need to achieve. With new investors, we will seek to build on these Turnaround foundations to deliver longer-term transformation in the 2025-2030 regulatory period (AMP8). Our integrated transformation plan for AMP8 underpins delivery of our ambitious business plan for customers and the environment – investing in our assets, performance and people.

Our performance commitments

In total, we have 55 regulatory performance commitments measured by our regulator, Ofwat, and covered in our Annual Performance Report, published on our website every summer. Some of our performance commitments can attract a financial penalty or reward based on performance against our targets set by Ofwat. In 2024/25, we had a net penalty of £88 million (2017/18 prices). This includes end-of-period performance commitments, and C-MeX and D-Mex – Customer and Developer Measures of Experience). Over the 2020-2025 regulatory period, our total net penalty is £344m.

Price Review 2024

In **October 2023** (and as updated in April 2024), we submitted our business plan for the 2025-2030 regulatory period, proposing a record-level investment in order to turn around performance for customers and the environment.

Ofwat published its Draft Determination in respect of our business plan in **July 2024**, proposing an overall allowance of £16.9 billion, significantly less than we initially proposed. In **August 2024**, we provided our response, requesting £24.5 billion in funding we assessed was needed to meet our obligations.

In **December 2024**, Ofwat published its Final Determination (FD) for the next five-year regulatory period. While there was considerable movement in funding from the draft determination, the FD allowance of £20.5 billion nonetheless falls materially short of what we requested. After careful consideration, our Board unanimously concluded that the FD does not appropriately support the investment that is required to deliver for our customers and the environment over the next five years, and asked Ofwat to refer the FD to the Competition and Markets Authority (CMA) for redetermination.

Following constructive discussions with Ofwat, Ofwat agreed in **March 2025** to defer making the CMA reference for a period of up to 18 weeks. We remain of the view that the FD is not in the interests of customers or the environment, but we believe that ongoing conversations between our lenders, Ofwat and the Company have the prospect of unlocking a market-led solution for the recapitalisation of the Company, without the need for a CMA reference.

→ You can find more about our principal risks on page 21



Our management focus

1 Transforming for our Customers

Customer service

Significant progress has been made in decreasing the number of complaints from household customers, with a reduction of 16.6% in complaint volumes, though we have more to do to improve our position within the sector. The most notable declines occurred in the water and wastewater sectors, attributed to a decrease in incidents and improved responses during major operational events.

How we've done

We have seen encouraging results from our efforts to be more proactive in communicating with customers. Initiatives aimed at informing customers about rising tariffs have contributed to reducing complaints about unexpected bill amounts. This has also been the effect from proactive communication with customers during major water and wastewater incidents, notifications of price increases and media campaigns promoting smart meters during the last quarter of the year. These resulted in:

- complaints regarding household bills decreasing by 10.0%
- progress in decreasing the volume of second stage complaints concerning bills, resulting in a 33.8% reduction over the course of the year
- a reduction of 31.4% in complaints relating to water and wastewater services compared to the prior year
- complaints regarding metering decreasing by 12.4%

What we're doing to improve our performance

- We are enhancing both the speed and accuracy of our resolutions while also improving our communication to help keep customers informed throughout the entire process of their enquiries. When customers are transferred between departments, we follow clear guidelines to help them get the best service and resolve their issues first time
- Our frontline billing teams retrained on processes and soft skills. We are also testing Amazon Q, a generative AI assistant, to improve customer interactions by providing relevant knowledge content to call agents
- We are expanding our Virtual Technician team, offering video calls to customers to resolve issues first time without requiring technicians to visit, if appropriate
- We are focused on enhancing our customer-side leakage experience and support by transitioning to a cohesive, unified policy which will provide a consistent experience for our customers
- To improve our incident response, we dedicate resources to communicate with our customers across all channels including social media
- We aim to have 95% of our smart meters successfully transmitting readings. We're exploring new technologies for areas with weak signals to improve accuracy. For better customer access to consumption data, we're developing an online toolkit



We tested and introduced a new customer support team dedicated to assisting our customers in situations that require extra care throughout the operational process until their issue is fully resolved."

Chris Pollard
Director of Customer Services



Better service, digitally enabled

We saw the greatest ever decline this year in complaints relating to water and wastewater services, supported by a reduction in major incidents and enhancements in incident response, particularly in proactive communication with customers during such events. The use of digital channels has further streamlined processes for customers, while the implementation of virtual technicians to assist in diagnosing issues has proven effective.

We also introduced a dedicated operations complaint page as part of our digital services, implemented live sign-ups and updates via digital platforms, and incorporated QR codes to enhance customer engagement.

Our management focus

2 Transforming our assets

The London Tideway Tunnel Network

The Thames Tideway Tunnel is the third and final part of the three-phase scheme known as the London Tideway Improvements Programme.

The scheme began in 2000 when we initiated a study that resulted in government approval to commence design of the Tideway system in 2007, and the Development Consent Order for the Thames Tideway Tunnel was granted in 2014. It is designed to dramatically improve the water quality of the River Thames by tackling the problem of sewage pollution.

In numbers

25 kilometres

length of tunnel from Acton in West London, to Stratford in the East

7.2 metres

the tunnel's diameter

30 metres

deep at Acton and finishes 66m meters deep in Stratford

Connecting the super sewer

In May 2024, the first connection between the new 'super sewer' and the existing Thames Water Lee Tunnel was completed. The work to remove the isolation between the two tunnels (the Lee Tunnel and the Thames Tideway Tunnel) involved breaking down and removing a thick wall that separated them both. The wall was built from concrete and steel, was 1.5 metres thick, around 8 metres wide and sat 66 metres below ground. In order to do this, the Lee Tunnel was taken out of service for around two weeks. The work to remove the isolation between the two tunnel systems was completed successfully, creating one single system called the London Tideway Network.

Protecting the tidal Thames

While the wall removal was ongoing at Abbey Mills, two teams were also working at Beckton sewage treatment works to facilitate connection works. One team was constructing a new weir wall for the combined system, so any pumped discharge for the combined tunnel system can exit the system, even during extremely high tides. The other team was performing maintenance in a wet well that is 70 metres deep, finishing with an inspection of the Lee Tunnel, carried out by Mines Rescue and Atkins.

In early Autumn 2024, work started to connect the remaining 20 Tideway connection sites to the network. Four of these connections were made by the end of September. In one day alone, when London saw heavy rainfall on 23 September 2024, Tideway estimated that the Tunnel Network captured around 529,000 cubic metres of storm sewage, preventing it from entering the Thames.

Work continued throughout the winter to connect the remaining sites. In February 2025, all 21 sites were successfully connected, and the London Tideway System is now undertaking testing so it can offer its full protection to the Tidal Thames. Since August 2024, Tideway has calculated that the network has prevented over 6,000,000 cubic metres of storm sewage from entering the Thames.



Construction of the Lee Tunnel, part of the London Tideway Tunnel Network

The project, including final testing, is due to be completed later this year. We will then operate the system as part of our London wastewater network.

We're currently working with ZSL to create another 'The State Of The Thames' Report, following a previous version published in 2021. The report focuses on 17 indicators to show the water quality of the River Thames, and we are evaluating whether the same or more indicators will be in the follow-up report.

The new report will contain data up to 2024, showing the benefits of phases 1 and 2 of the London Tideway Improvement Programme. In three to four years, we plan to work with ZSL again to create a follow-up report that will also include the benefits of phase 3, the Tideway Tunnel.

“

London's Victorian sewer system was built for four million people but, today, it serves over nine million. The final connection of the Thames Tideway Tunnel to our network is a major milestone in a three-stage programme to help London's wastewater system cope with a growing population and the impact of climate change.

“This infrastructure project, funded by our customers, will reduce sewage discharges into the Thames and create lasting benefits for biodiversity, recreation and public health. We know there is still much more to do so our focus now turns to the next phase of our work to continue cleaning up London's rivers and watercourses.”

Chris Weston, CEO



→ Customers → Communities → Environment

Following completion of testing and handover of the Thames Tideway Tunnel project expected later in 2025, we will publish a Thames Tideway Tunnel Benefit Realisation Report around May 2026, and then on an annual basis.

The four key objectives of the Benefit Realisation Report are:

- Improve water quality and reduce biochemical oxygen demands
- Reduce the aesthetic pollution by sewage-derived litter
- Reduce the elevated health risks to river users
- Fully meet the requirements of the Urban Wastewater Treatment Directive (UWWTD)

A baseline report is also being created to show pre-tunnel data for all of the four key environmental objectives. This will include analysis into weather, show any trends and compare against data collected following commissioning of the tunnel.

Our management focus

2 Transforming our assets continued

Securing water supplies for the future

Over the course of the year, we have invested £2.2 billion in our assets. As an infrastructure company, we are responsible for maintaining and improving our network of pipes, sites and physical assets to deliver our essential service.

The cost of managing our ageing assets and dealing with failures is increasing, and the impact of climate change and population growth is putting more pressure on our already stretched asset base. To deliver performance improvements, we need to invest in both existing infrastructure and new long-term projects to protect our water supply for the future.

2.5 billion litres

Every day we supply 2.5 billion litres of safe drinking water to 10 million customers, and we expect this to grow to nearly 13 million by 2050.

We forecast that we will need an additional 1 billion litres of water every day for our customers by 2050.

The Environment Agency has designated the South East as seriously water stressed.

It is our responsibility to provide a safe and secure supply of high-quality drinking water to homes and businesses, now and in the future. Climate change and a growing population present a serious challenge for our water resources, along with the need to protect the environment, including our precious chalk streams and ground water sources.

A regional approach

We've looked beyond our boundaries to develop a regional response to future water resources, working with neighbouring water companies at Water Resources South East. This has informed our Government-approved Water Resources Management Plan which sets out our strategy to secure water supply for the next 50 years and beyond.

Underpinning our plan is a commitment to halve leakage by 2050 and help to significantly reduce customer demand for water, working with the Government. However, this alone will not be enough; we need to build the right infrastructure.



Our Strategic Resource Options

We're developing nationally significant infrastructure projects that will help us to protect future water supply. The South East Strategic Reservoir Option (SESRO) will provide water security for 15 million people across the region, including Thames Water, Southern Water and Affinity Water customers. It will also be vital for unlocking economic growth.

Our collaborative approach to community engagement remains at the heart of our plans, with further consultation events planned this year ahead of our 2026 development consent application.

The reservoir will be so much more than a place to store water, creating around 1,000 jobs during construction and leaving a lasting legacy for surrounding communities. Local people will be able to enjoy a range of recreational activities from walking to sailing and we'll also create a haven for habitats through wildlife ponds and wet woodlands.

We are also progressing plans for our Teddington Direct River Abstraction project, which will protect London's water supply during periods of drought, providing up to 75 million litres of water each day.

→ Customers Communities Environment



1,200+
In 2024, 1,200 people came to our community information events to discuss our plans for an essential new reservoir for the South East

Indicative view of our proposed new reservoir

“

We need to act now to secure water supply for future generations. While we've made significant progress to reduce leakage and are rolling out millions of meters, we must also invest in the right infrastructure, including a new reservoir for the region and drought resilience project in London.”

Nevil Muncaster,
Strategic Water Resources Director



Unlocking value for our customers

In June 2025, our Oxfordshire reservoir secured nationally significant infrastructure status from the Government, enabling us to use a proven funding model to deliver best value for our customers. It is the same funding model used to build the Thames Tideway Tunnel – which is now fully connected to our network, with testing ongoing and handover due later in 2025.

→ [Learn more on our dedicated Strategic Resource Options microsite](#)

Our management focus

3 Transforming our Performance

Water quality and supply

Our water quality index performance dropped to 2.04¹ from 1.43 the previous year, having improved 15% last year. Although we are making progress in our turnaround by improving data analysis and responding to incidents more quickly, failures at some of our water treatment works mean we missed our regulatory target.

We saw a 43% improvement in our supply interruptions performance and a reduction in unplanned outages.

Water quality

How we've done

We've achieved our second best result in the AMP, reflecting successes through our turnaround plan, however we've missed our regulatory target this year due to incidents at several of our larger water treatment works (WTW), which tend to have the greatest impact on the CRI measure. We are seeing better resilience at our largest London sites from the initiatives in our turnaround plan.

After moving from 17th to 5th place in Ofwat's Water Company Performance Report published in October 2024, we expect to broadly maintain our position this year. This success is largely due to diligent execution of our Public Health Transformation Plan including competency, tank inspections, hazard reviews and assurance audits. The focus remains on tackling our highest risk areas.

Failures this year included coliform detections at Cleeve, Chingford and Deptford WTWs, and an E.coli detection at Horton Kirby WTW.

The Drinking Water Inspectorate defines the parameters of our score on this measure and has increased its scrutiny on water supply zone failures with penalties for perceived breaches if representative samples are not collected. This incentivises us to make sure our sampling is consistent.

Water quality remains a key focus for us and our regulators, with additional regulations being introduced for lead in the water.

Process improvements are underway at various WTWs to reduce the risk of water quality failures.

These include:

- increases in targeted chlorine concentration
- continuation of our enhanced hazard review process, and
- UV installations at the large process plants in London.

We'll continue to develop further improvements in AMP8.

Water supply

How we've done

There were 9 minutes 35 seconds of supply interruptions in 2024/25, indicating the average number of minutes and seconds our customers don't have water, for interruptions lasting three hours or more.

Our performance improved by over seven minutes this year, compared with last, and we realised our best performance in the last eight years, but we've still missed our target. Our focus is on underlying performance improvement where "every second counts."

We had one major supply interruption on a trunk main in Crystal Palace, London, which is a difficult operational area to manage as supplies cannot easily be rerouted. As such, this single incident accounted for 2:29 minutes of the year's total figure.

In unplanned outages, we performed strongly. This is a measure of the percentage of water we were unable to supply due to unforeseen circumstances. We met our unplanned outages target for the year, making a 10.5% improvement against the previous year.

Over the past five years, we've made significant improvements to our understanding of supply interruptions and prevention initiatives.

These include:

- using generators for storm resilience at WTWs
- identifying District Metering Areas, individual zones where water supply is managed, with a high frequency of supply interruptions for targeted asset replacement, and
- focusing on prioritising supply restoration over repair completions.



What we're doing to improve performance

In AMP8, we aim to:

- introduce expert supply interruptions teams on the ground in Thames Valley and the Home Counties and more specialist equipment to restore supplies
- continue to use preventative maintenance to reduce incidents at WTWs
- optimise our response to trunk mains bursts, which have the potential for the greatest impact and duration
- introduce 'SmartValve' which has near real-time status tracking of all our system valves
- remote-controlled operations of trunk mains valves to isolate bursts or reroute supplies.

→ Customers Communities

This is a calendar year measure.

¹ per the Drinking Water 2024 report published by the DWI on 9 July 2025.

Our management focus

3 Transforming our Performance continued

Pollutions and storm discharges

We saw an increase in total pollution incidents (categories 1-3) to 470 in 2024 from 350 in 2023 – and we missed our regulatory target, resulting in a penalty of £21.9 million. Our storm discharge performance increased to 23,061, from 16,990 in 2023. Serious pollutions also increased from 14 in 2023 to 34 in 2024.

Number of pollution incidents per 10,000km of our wastewater network that pose a danger to the environment (a lower number is better)



How we've done

Pollutions are high this year and we haven't met our target. While pollutions caused by third parties and blockages have continued to decrease, these remain the key causes. Our performance has also been impacted by the condition of our assets and their inability to mitigate the overloading of our sewers, which was caused by wetter than average weather in the year and ongoing high groundwater levels. Power outages and resourcing challenges further impacted our resilience.

Historically, we haven't delivered enough of our capital investment plans for improving resilience at our treatment works. Blockages from undesirables, such as fat and rubbish, in our sewage system also continue to be too high.

New internal processes are in place to improve our performance including virtual triage, additional resourcing, targeted sewer cleaning, a better response to sewer depth monitor alarms and improved critical maintenance of treatment works. We've also introduced proactive incident reporting to enable the EA to make more accurate categorisations from the outset of events. We've increased monitoring of our assets, which is the right thing to do but alerts us to more reportable incidents. Although our performance is challenging, we're finishing the AMP with much better data insights to enable us to make targeted improvements in AMP8.

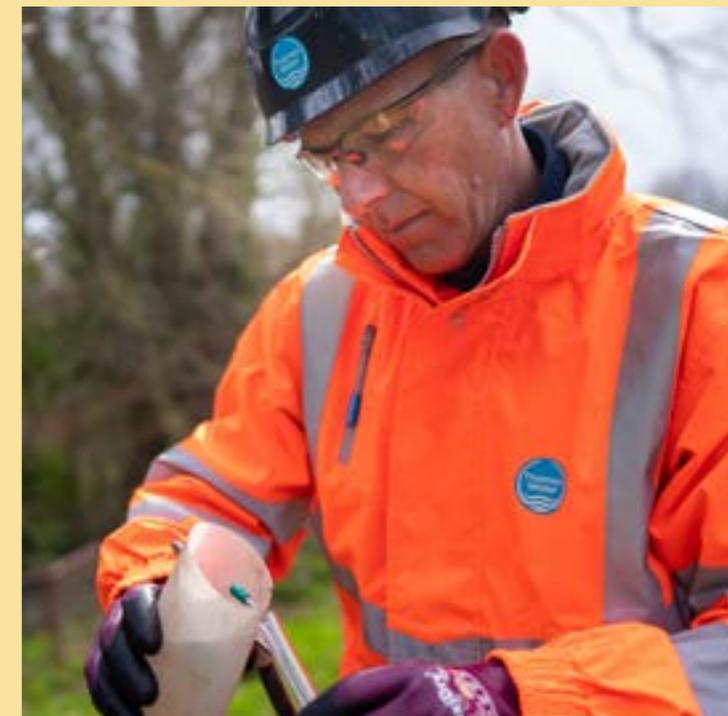


Sewer blockages and pollution prevention

Our Sewer Level Alert Manager (SLAM) system capability has supported earlier identification of potential blockages in our sewers, helping to reduce the risk of pollution, sewer flooding, and escapes of sewage. SLAM uses near-real-time data from sewer depth sensors to generate alerts when levels are abnormally high, enabling faster and more targeted responses. In 2024/25, SLAM has helped to prevent more than 4,715 blockages and 147 Escape of Sewage incidents.

4,715

SLAM has helped to prevent more than 4,715 blockages and 147 Escape of Sewage incidents.



What we're doing to improve performance

We'll continue to have a pollutions performance commitment in AMP8 and, with a tightening target and more stringent EA monitoring, our performance in the next five-year period may look worse initially. We recognise that we need to significantly improve our performance against this measure and that public interest in us continues to increase with the ongoing media focus on pollutions.

We remain committed to targeting interventions on the root causes of pollutions and are working closely with the EA to seek agreement for our pollution action plans, particularly for our 13 worst-performing sites.

We also have a power resilience programme to counter the rise in power outages during the 2020-2025 AMP7 period.

[More details on our improvement strategy can be seen in our Pollution Incident Reduction Plan \(PIRP\).](#)

[Customers](#) [Communities](#)

This is a calendar year measure. The EA categorises pollutions from 1 (the most serious) to 4 (minimal or no impact). Categories 1-3 are included in this measure.

Our management focus

3 Transforming our Performance continued

Leakage

In 2024/25, our leakage performance was 13.2% below our baseline, a minor year-on-year improvement. This is our best performance of the AMP. Our three-year rolling average is also at its lowest ever level but we still missed our regulatory target.

A two-pronged approach to efficient water use

Our leakage and per capita consumption (PCC) measures help us efficiently manage our water supply and distribution. PCC measures average water used per person per day. Our three year average reduction in PCC performance has continued the steady improvement shown in the previous two years and we've led the industry in reducing PCC, achieving a 4.8% reduction this year, despite missing our regulatory target. We're seeing greater reductions in water usage in areas with more water meters, reflecting the impact of our metering programme.

Percentage reduction in leakage using a three-year average from the 2019/20 baseline survey (a greater percentage is better)



How we've done

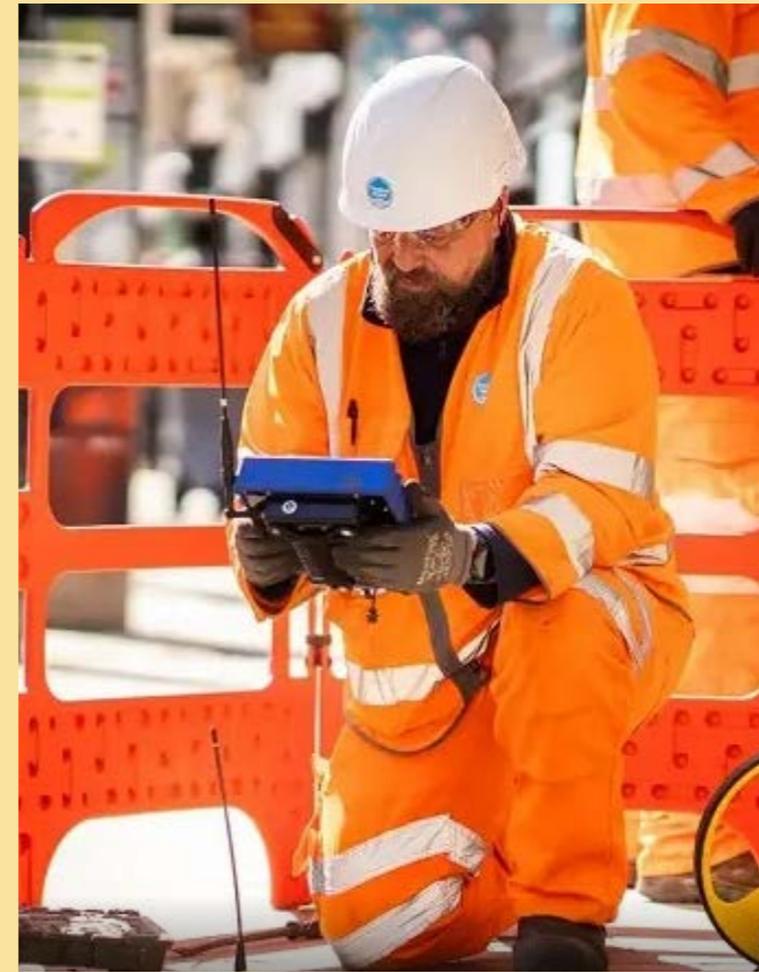
We've made another reduction in leakage from our network this year, although we haven't achieved the ambitious regulatory target. Our three-year rolling average leakage is now at its lowest ever level.

We were on target for the first four months of the year, but saw increased leakage later in the year, exacerbated by colder temperatures in winter and water temperatures remaining colder into spring for longer than the previous year, which increases the risk of leakage.

The recovery since the extreme weather of 2022/23 has continued, albeit at a slower pace in London compared to Thames Valley and the Home Counties.

Our Prevent Aware Locate and Mend (PALM) strategy continues to improve our operational ways of working, focusing on fixing larger leaks sooner. We've repaired or replaced more district meters, deployed additional monitoring and better alarm response, and continued analysis to identify particular areas with poor leakage performance to enable localised action plans.

We have intensive monitoring and review pathways in place to drive continual progress to improve our leakage performance.



What we're doing to improve performance

We continue to target a 50% reduction (from 2017/18 levels) in leakage by 2050. To achieve this, we have a Leakage Transformation Programme which we will follow as we move into AMP8 and continue to balance the PALM activities within our strategy.

We've built our AMP8 leakage delivery plans around the challenge of recovering our performance to meet Ofwat and customer expectations as quickly as possible. To do this, we've brought forward greater investments than ever before in the maintenance and renewal of our assets to prevent leakage, through mains replacement and pressure management.

We have also deployed more than one million additional smart meters to increase our understanding of water usage and improve our targeting of leakage interventions. Where possible, these investments will be delivered in the first half of the AMP to bring the greatest benefit sooner.

We're developing smarter ways of working, such as through our operational plans for active leakage control, addressing leakage recurrence, and driving recovery and reduction where possible. We also have an ambition to increase our acoustic loggers (which detect leaks remotely) from around 21,000 in 2024 to 102,000 by 2030.

Customers Communities

Enhancing data to reduce leakage and supply interruptions

We improved how we collect, combine, and use data from sensors that measure water pressure and flow, and acoustic sensors that listen for leaks across our water network. By bringing this data together into our Enterprise Data Platform and utilising machine learning AI, we can now spot emerging issues earlier and respond faster. This resulted in improving our response to over 100 incidents in 2024/25 meaning less impact to customers and less water lost from bursts.

100+

Additional early interventions of potentially customer-impacting events in 2024/25.



Our management focus

4 Transforming for our People

Health, safety and wellbeing

Our first priority is that our colleagues return home safe and well every single day, enabling them to live their entire working lives both fit and healthy, and that members of the public and the communities we serve are also protected from harm.

Our Health, Safety, Environment and Sustainability Committee oversees our approach to health, safety and wellbeing.

→ The Committee Report can be found on page 65.

Our performance in 2025

In 2024/25, we saw an overall improvement in health, safety and wellbeing, meeting all our key performance indicators.

Lost-time injuries: During the year, we had 35 lost time injuries, which is six less than the same period last year (41 lost time injuries). This followed focused data-led communications on key risks at specific points in the year.

Lost-time illness: A focus on raising awareness of coping strategies and regular communications led to a reduction in our work-related ill health absences from 34 to 19 cases in the period. Further work is planned for the coming year to support managers and employees to understand workplace pressures and how signs and symptoms of ill-health can be identified early.

Loss of containment: We anticipated an increase in reporting of these incidents this year, which result from unplanned or uncontrolled releases of substances which pose a health and safety risk, while we resolved an issue with equipment used in one of our processes (which has now been resolved). We now expect the rate of reports in this area to decrease. We continue to encourage reporting of all incidents, to allow identification of patterns and provide insight that will prevent more significant incidents in the future.

Our health, safety and wellbeing improvement plan supported our improved performance this year. The plan incorporated feedback from stakeholder interviews and our 2024 Safety Culture survey, and helped us to implement the right resources and tools to bring further improvements. Examples include:

Visible leadership: This year, our senior leaders held 166 engagement visits for our frontline teams to learn and discuss our priorities. In the coming year, we intend to improve this further by supporting leaders with the tools to create engaging visits through targeted but informal means.

Critical safety training: A key focus is that all frontline colleagues meet requirements for 'critical safety' competences. During the year, we saw an 18% increase to 85% in compliance with this measure, with over 7,500 individual training slots being delivered to our teams. Given there is more to do we are targeting a further 8% increase in the coming year to bring compliance to 93%.

Process safety performance indicators: These are a key measure of safety performance at 118 of our key operational sites. There are 13 measures, which are monitored monthly, including number of incidents, number of inspections completed and overdue maintenance and statutory inspections, so that key activities are carried out to support a positive approach to health and safety on sites.



Improving health, safety and wellbeing

Taking on board the results from our first Safety Culture survey in April 2024, we realised that there were clear improvements needed to better support the business.

During the year, we've undertaken a consultant-led review of all aspects of our approach to health, safety and wellbeing, incorporating feedback from a wide range of internal and external stakeholders and colleagues.

As a result, we made changes to our resourcing levels to enable more visible and focused support to the business.

We have re-established the National Examination Board in Occupational Safety and Health (NEBOSH) Certificate training to all site managers so that they have the competences to operate their sites safely.

Our management procedures and guidance are being reviewed with the aim of simplifying and visualising the documents for our frontline teams.

As we move forward into the next AMP, we will be very focused on psychological safety, creating a safe environment where everyone feels they are able to speak up when things are not right.



“

My aspiration as the newly-appointed Director of Health, Safety and Wellbeing is simple: to create an environment where every colleague and contractor feels empowered to speak up, share insights, and participate in learning and continuous improvement — because true safety, health and wellbeing is the product of collective effort.”

Steve Howells, Director of Health, Safety and Wellbeing

Stakeholder engagement

Engaging with stakeholders

Listening carefully to our customers, communities and stakeholders helps us align to their priorities as we transform our business.

We engage extensively in different ways throughout the year so that we can respond to the needs, wants and views of all those who use our services and are impacted by what we do.

Key

- 1 Our Customers and the Environment p12
- 2 Our Assets p13-14
- 3 Our Performance p15-17
- 4 Our People p18

Customers

Link to strategy 2

What they expect

- A water and wastewater service that ‘just works’, that provides high-quality drinking water, prevents sewer flooding and takes waste away safely
- A fair and affordable service with an easy customer experience, and tailored support for those who need it

How we’ve engaged

- Continuously gathered insights into our customers’ needs and behaviours
- Continuous surveys on brand perception and service satisfaction, analysing complaints and listening to social media
- Analysis into reasons for customers to contact us and research on the level of support for social tariffs that help customers struggling to pay

Outcome

- Rebuilt our customers strategy, building on customer insight, aiming to make it easy for customers to deal with us
- Our Vulnerability Strategy was assessed as ‘exemplary’ by Ofwat
- Since December 2024, customers can now upload photographs of leaks and pollutions, enabling a swifter response, with an average of 300 photos per week being uploaded
- Created new ‘escalation’ teams to own and resolve complicated issues for customers. 93% of issues within the Billing Escalation team are resolved on the same day
- Reduced complaints from 83,000 to just over 69,000
- We distributed £25 million of financial help through ‘Extra Support Payments’ to customers in arrears and increased the volume of customers benefiting from discount tariffs by over 50,000 to 408,670. We plan to double the level of support we provide next year.

93%
of issues that come to our Billing Escalation team are resolved on the same day



Colleagues

Link to strategy 1

What they expect

- To be kept informed and know what to say to family and friends when we’re in the news
- To know what our plans are and how they contribute to them
- To feel their views are listened to and acted on, and to know their good work is recognised

How we’ve engaged

- We made our colleagues aware of major announcements either before or at the same time as they are made public
- 3,000 colleagues on average joined our CEO and Executive team for our quarterly Q&A sessions
- The Executive team ran regular ‘All Hands’ meetings to talk to their teams about what’s important and hear their feedback
- Chris Weston met teams at 21 of our sites this year
- We celebrated when things went well, profiling our unsung heroes and busting myths we see in the media.

Outcome

Our CEO Chris Weston’s open and honest approach has been popular with our colleagues:

“Our CEO always comes across as transparent and reasoned. Really inspires the whole team.”

Comment from **Leadership Experience Survey**, January 2025

77%
of colleagues participated in our 2025 colleague engagement survey



Regulators

Link to strategy 2 4

What they expect

- Provision of transparent and accurate information to assess how we’re performing against our regulatory requirements
- Compliance with our legal and regulatory obligations including (but not limited to) those contained in our Instrument of Appointment, Water Industry Act 1991, Competition Act 1998 and the Wholesale Retail Code
- A company business plan that is deliverable and affordable, addresses customers’ priorities and meets our legal and regulatory obligations

How we’ve engaged

- Regular performance meetings with Ofwat, the Drinking Water Inspectorate (DWI) and the EA
- Consultations on future regulatory policies
- Responding to regulatory request for information
- Fully cooperated with requests by EA and Ofwat, including around sewage discharges and dividends
- Discussions with Ofwat throughout the price review process on our future plans and our deferred Competition and Markets Authority (CMA) appeal
- Discussions with Ofwat on refinancing and undertakings to restore investment grade credit ratings
- Quarterly reporting on key performance commitments and progress against our conditional allowances

Outcome

- Updated our Service Commitment Plan in January 2025
- A decision to ask Ofwat to refer our PR24 Final Determination to CMA (and a subsequent agreement to defer that request)
- Agreed S19 credit rating undertakings with Ofwat in August 2024
- Received penalties regarding sewage discharges and dividends, and are engaging with Ofwat on an appropriate timeframe to pay both penalties



Stakeholder engagement continued

Policy makers

Link to strategy

What they expect

- A reliable, affordable service and that we do the right thing when things go wrong
- Clear and transparent communications and information
- Support vulnerable customers and provide financial support to the customers who need it most
- Reduce our impact on the environment
- Protect customers from the impacts of climate change
- Improve our financial resilience

How we've engaged

- A programme of engagement with MPs, councillors and London Assembly Members, including hosting site visits at treatment works
- Since the General Election, met with Ministers in the new Government and newly-elected MPs
- Hosted a site visit from members of the Independent Water Commission and submitted evidence on our position
- Participated in the Mayor of London's 'clean and healthy rivers' roundtable
- Contributed in writing and through meetings to the London Climate Resilience Review, which looked in detail at how the capital should respond to climate change
- Gave written and oral evidence to London Assembly committees, including as part of its work on the health of London's rivers
- Provided briefings to Parliamentarians for House of Commons debates
- Ran regular 'surgery' sessions for local councillors to explain our work in their areas and future plans
- Attended local authority formal scrutiny committees
- Wrote to all MPs and Council Leaders about water sector issues in the news, including providing guidance on the support we offer their constituents on bills for 2025-2026
- Provided updates to elected representatives on our response to operational incidents such as interruptions to water supplies

Outcome

- Greater transparency around our operations, future plans and views on policy changes in the sector
- Elected representatives understand what we're doing to improve services in their areas and address their concerns
- Policy makers understand the potential impact of changes to policy and legislation on our customers, the environment and the Company
- Relationships established with many of the new MPs in our region following the General Election.

Suppliers

Link to strategy

What they expect

- Transparent and open dialogue about future plans and matters that could affect their business
- A fair approach to procurement and contracting
- Understand their role in delivering our strategy, our transformation and our AMP8 plan
- Understand our perspective on their performance, while being given the chance to share feedback with us
- Discussions about improved ways of working together

How we've engaged

- Hosted 48 strategic suppliers at our annual Supplier Summit event
- Shared our Turnaround Plan and AMP8 strategy through regular forums
- Implemented a multi-faceted communications strategy to share Company updates
- Conducted regular performance reviews
- Pre-market engagement to showcase specific sourcing opportunities
- Acted on feedback from our 'Voice of the Supplier' survey
- Ran a shared apprenticeship scheme, sharing skills and talent with our supply chain

Outcome

- Motivated and engaged suppliers who are focused on supporting our turnaround
- In our 'Voice of the Supplier' survey among our strategic suppliers, 97% of respondents said they have been asked for improvement ideas within the last six months. 74% agreed we provide meaningful, actionable feedback on their performance and 74% agreed they have seen a positive change in the way we work together over the last 12 months
- Better understanding of the impact of macro and micro supply chain risk on our ability to deliver
- Process improvements through collaborative working, for example, aligning chemical dosing equipment to industry standards, to deliver 58% cost reduction and sustainability benefits from streamlined manufacturing
- 39 shared apprentices in place and 4 apprentices have completed the scheme.

97%
of suppliers reported being asked for improvement ideas, and 74% felt they received meaningful feedback

Communities and NGOs

Link to strategy

What they expect

- Open, transparent and proactive information sharing about our local environment and communities
- Ethical business decisions and take responsibility when things don't meet expectations, clearly communicating our plans, timelines and costs for improvement
- Drive social mobility by removing barriers to employment opportunities and creating learning experiences

How we've engaged

- Quarterly catchment partnership meetings and regular business updates with our 27 river catchment partnerships
- New Smarter Water Catchments programme to engage with the Chess, Evenlode and Crane River catchments
- Extended our bulletins to all interested stakeholders to provide updates following serious environmental incidents
- Updated our storm discharge map with more detail on our investment plans and targets
- Delivered work experience programmes including summer interns and supported interns in partnership with specialist referral partners to engage diverse talent across our region

Outcome

- Over £738,000 in funding in 2024/25 went directly towards catchment partnership hosts, as well as other organisations which support catchment partnership activities
- Around 3,200 people joined our outreach sessions about career opportunities in the water sector
- Delivered over 600 hours of employability training to support disadvantaged and under-represented people back into employment
- £120,000 of funding through our community investment programme, providing support for 36 projects in our region
- Over £300,000 raised by our employees and wider contractor and supplier community for WaterAid and Macmillan Cancer Support
- Working in partnership with WaterAid and JIRAMA (Madagascan water company) to bring clean water and sanitation to the region of Amboasary SUD in Madagascar.
- 4,966 hours of employee volunteering in the community, from river restoration and litter picks to mentoring sessions with young people in our region.

4,966 hours
Colleagues volunteered more than 4,966 hours in the community

Investors and shareholders

Link to strategy

What they expect

- A return on their capital invested
- To be engaged on both operational and financial performance
- To see progress on the turnaround and on the recapitalisation of the Company

How we've engaged

- We have provided information through our annual reports, investor presentations, statements and public regulatory announcements, accessible from a refreshed investor page on our website
- We have also engaged with our stakeholders, including our shareholders and creditors, as part of the Company's continued efforts to extend our liquidity runway through the court-sanctioned restructuring plan and on the wider recapitalisation process

Outcome

- In 2024/25, the conditions of a support letter from our shareholders to satisfy the provision of £500 million of new equity were not satisfied. By December 2024, all the shareholder-appointed Directors had resigned from the Board of the Company
- Following a court challenge by certain investors and shareholders, we gained access to up to £3 billion of new money and an extension to the maturities of all existing debt of the Company by two years
- This unlocked the pathway to phase two of the recapitalisation plan, with proposals from multiple potential investors, completion of a creditor/bidder due diligence process and a creditor-led recapitalisation plan.



Principal Risks and Uncertainties Statement

Risk management



Managing our risks to support long-term and sustainable business performance

We seek to manage risk across all parts of the Company. We proactively manage the threats and optimise opportunities to support the successful delivery of our business plans seeking to become more resilient across our corporate, financial, and operational structures.

Led by our recently appointed Chief Risk and Compliance Officer, his department has responsibility for Enterprise Risk Management (ERM) across the organisation. The team provide expertise and support to the business and reporting risk information to the Executive Team and the Audit, Risk & Reporting Committee (ARRC) (a sub-committee of the Board) and the full Board.

Effective management of risk forms a fundamental part of our decision-making at Thames Water. We seek to proactively manage, mitigate, and control our risks so we can quickly identify and adapt to the dynamic environment in which we operate.

Our ERM framework guides the protection of our assets and operations and offers an opportunity to create long-term value by proactively managing and mitigating risks and uncertainties. It encompasses our values and behaviours, encouraging timely and transparent risk reporting to create an effective risk culture, supported by a strong, consistent tone from the top.



Thames Water's risk management process is consistent with good practice and will continue to be strengthened as a part of our Risk Improvement Plan. We are taking steps to further embed risk management into decision-making across the organisation to better control and mitigate risks with a strong focus on continuous improvement. Improvements are needed in our systems for reporting, tracking, and managing risk and we are collaborating closely with teams across the business to streamline processes and further strengthen our resilience."

Jon Haskins – Chief Risk and Compliance Officer

Enterprise Risk Management process

Our risk management process aligns to the ISO 31000: 2018 standard. This provides a comprehensive and consistent approach to identifying, analysing, evaluating, treating, monitoring, and communicating risks across Thames Water.

Risk oversight and governance

The Board has responsibility for overseeing the effectiveness of the risk management and internal control systems, supported by the ARRC, which maintains oversight over the principal risk landscape and the Company's response. We follow the established 'Three Lines of Defence Model' enabling an effective relationship between risk, control, and assurance. Our principal and emerging risks are considered and challenged at least quarterly through departmental risk reviews involving our Senior Leadership Team, the Executive Risk Committee, and the ARRC. Non-Executive Members of our Board 'sponsor' each of our principal risks.

[Further information on our ARRC and other Board committees can be found from page 62 of this Annual Report.](#)

Continuous improvement

In February 2025 we commenced a company-wide Risk Maturity Assessment (RMA) which assessed the progress that we are making in embedding effective risk management across Thames Water and includes risk governance, processes, resourcing, and cross-functional working. The output of the RMA is being used to inform the next phase of our Risk Improvement Plan.

We continue to work collaboratively across the organisation through increased business partnering, supported by risk workshops and training (both online and face-to-face). Our bottom-up approach to risk management continues to mature, with improved risk identification and management at the business unit level. We also continue to strengthen our control environment through an internal control framework which captures and reports on our most important controls.

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. While 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 risks and uncertainties statement continued

Principal risk overviews

For transparency and to aid understanding, we have grouped our 16 principal risks into one of the following four categories; Customer and community; Strategic and regulatory; Financial; and Operational.

For each principal risk, we have included:

- A description of the principal risk
- Commentary on how the risk is trending (i.e. improving, stable or deteriorating)
- Examples of the steps that we are taking to mitigate the risk
- Examples of Key Performance Indicators (KPIs) relevant to each principal risk.

Principal risk profile

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.



To better serve our customers and communities; safeguard value for the future; and protect the environment, we continue to strengthen our risk culture. This work enables sharper decision-making, greater business resilience and long-term sustainability.”

Jon Haskins – Chief Risk and Compliance Officer

Diagram 1: Risk Management Process



Diagram 2: Risk Governance Structure



Principal risks and uncertainties continued

Principal risks categories

Category	Principal Risk	Executive Owner	Board Sponsor	Trend
Customers & Communities	Customer experience	David Bird	Catherine Lynn	↓
	Engage stakeholders	Cathryn Ross	Ian Pearson	=
Strategic & Regulatory	Climate change, population growth and biodiversity	Esther Sharples	Andrew McNaughton	=
	Compliance with core legal and regulatory obligations	Andy Fraiser	Ian Pearson	=
	Regulatory, legislative, or political developments	Cathryn Ross	Ian Pearson	↓
Financial	Revenue Collection	David Bird	Catherine Lynn	=
	Liquidity	Steve Buck	Nick Land	↑
	Delivering within our means	Steve Buck	Nick Land	↓
Operational	Legacy technology failure	John Brocking	Adam Banks	=
	Employee and physical asset protection	Esther Sharples	Andrew McNaughton	↓
	Cyber security and data protection	John Brocking	Adam Banks	=
	Performance and resilience of our asset base	Esther Sharples	Nirmal Kotecha	↑
	Treat wastewater	Esther Sharples	Nirmal Kotecha	↑
	Supply of wholesome water	Esther Sharples	Nirmal Kotecha	↓
	Physical or mental harm	Chris Weston	Andrew McNaughton	=
Workforce	Catherine Green	Catherine Lynn	=	

Risk trend: Deteriorating ↑ Stable = Improving ↓

Customers & Communities

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 house 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.

Trend: ↓

Examples of mitigation

- 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

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.

Trend: =

Examples of mitigation

- 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 measures
- Environmental Performance Assessment rating
- Ofwat Water Company Performance Report rating
- Customer complaints

Principal risks and uncertainties continued

Strategic and regulatory risks

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.

Trend:

Examples of mitigation

- 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

Compliance with core legal and 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.

Trend:

Examples of mitigation

- AMP 8 capital investment program aligned to legal and regulatory drivers Ongoing discussions between creditors, Ofwat and the Company 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

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.

Trend:

Examples of mitigation

- 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



Principal risks and uncertainties continued

Financial risks

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.

Trend:

Examples of mitigation

- 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

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 (Special Administration) or insufficient resources to satisfy our Instrument of Appointment obligations.

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.

Trend:

Examples of mitigation

- 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

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.

Trend:

Examples of mitigation

- 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



Principal risks and uncertainties continued

Operational risks

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.

Trend:

Examples of mitigation

- 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

Employee and 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.

Trend:

Examples of mitigation

- 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

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.

Trend:

Examples of mitigation

- 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

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 that take money out of the business. 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.

Trend:

Examples of mitigation

- 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

Principal risks and uncertainties continued

Operational risks continued

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.

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 £18.2 million, further details can found in the CFO Report on p44. 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.

Trend:

Examples of mitigation

- 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

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.

Trend:

Examples of mitigation

- 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

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.

Trend:

Examples of mitigation

- 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

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.

Trend:

Examples of mitigation

- 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 and employer value proposition
- Proportion of recruitment from untapped talent pools

Long-term Viability Statement

In accordance with the UK Corporate Governance Code the Directors have undertaken an assessment of the long-term viability of the Company.

This statement assesses the long-term viability of the Company, which has been granted an Instrument of Appointment to operate regional public water and sewerage networks by The Secretary of State for the Environment under the Water Industry Act 1991 (“Act” or “WIA”). The Act includes provisions to protect customers from the risk of company failure by ensuring the continued delivery of services in the event of such failure. This special administration regime can only be used if, on the application of the Secretary of State (or Ofwat with the consent of the Secretary of State), a Court is satisfied that (in summary) there has or is likely to be a contravention of any principal duty of the Company that is serious enough to make it inappropriate for the Company to continue to hold its Instrument of Appointment, or the Company is or is likely to be unable to pay its debts. The special administration regime may result in the restoration of the Company to a position of long-term viability or, if that cannot be achieved, ensures the continued viability of the services it provides, which may include the transfer of the Company’s Instrument of Appointment to one or more other companies.

This statement should also be read in conjunction with the going concern basis of preparation note set out on page 108. The Directors have concluded it is reasonable to assume that actions can be taken such that the Group has adequate resources, for a period of 12 months from the date of approval of the financial statements, to continue operations and discharge its obligations as they fall due. However, there exists a material uncertainty in relation to the going concern basis adopted in the preparation of the financial statements, given the Directors expect that for the recapitalisation transaction to be agreed the Company will require the support of multiple stakeholders including its creditors, Ofwat and wider Government and public sector bodies and that a holistic recapitalisation, implemented by way of a second Restructuring Plan (“a restructuring plan under Part 26A of the Companies Act 2006”), either within a period of 12 months from the date of approval of the financial statements or shortly thereafter (“RP2”) will also require court sanction (noting that such decision to sanction RP2 may be subject to an appeal). These matters are largely

outside the control of the Company. There is, therefore, material uncertainty as to whether the Company will be able to deliver a recapitalisation transaction by way of RP2 successfully, either within a period of 12 months from the date of approval of the financial statements or at all.

For the purposes of assessing long term viability, it is assumed that this material uncertainty is resolved or remedied on the basis that the Company:

- secures, either through discussions between the Company and its creditors and Ofwat and other stakeholders or, through a redetermination of the PR24 Final Determination by the Competition and Markets Authority, a regulatory settlement that is financeable and investable and is capable of supporting investment grade ratings; and
- as a result is able to deliver a holistic recapitalisation of the Company by way of RP2, which it expects would include significant new equity investment, new debt facilities and a restructuring of its existing debt portfolio.

Board’s approach to the viability assessment

The Board regularly assesses the risks facing the Company and takes into consideration the preventative and mitigating actions available to it. The process includes financial forecasting, risk management assessment, regular and timely budget review and scenario planning analysis. For the current financial year, the board also assessed viability against a backdrop of financial, regulatory and political uncertainty discussed in the Chairman, CEO and CFO statements set out on pages 4, 5-6 and 44.

Assessment Period

For the financial year ended 31 March 2025, the Directors consider a five year period ending 31 March 2030 to be an appropriate period to assess the Company’s prospects. This period is aligned to the current AMP8.

Severe but plausible downsides and conclusion

The overarching business model applicable to the Company as a relevant undertaker within the water sector is a viable model given the provision of critical and fundamental public services resulting in the need for such services to be provided. However, the viability of the Company itself is subject to uncertainty. There remains uncertainty surrounding the Company’s regulatory arrangements for AMP8, its capital structure following any holistic recapitalisation by way of RP2 and that an investable or financeable business plan will flow therefrom.

In light of the uncertainty outlined above and the limitations that it presents, the Board has relied, in making its viability assessment, on the detailed stress testing it has undertaken in prior years as, in particular, it remains uncertain whether the Company will adopt a revised business plan for the remainder of AMP8 once the regulatory arrangements for AMP8 are clarified – until such time, and for near-term operations, the Company continues to operate in accordance with its existing Business Plan. Stress testing undertaken in prior years has assessed the financial resilience of the business against a range of severe but plausible scenarios derived primarily from the principal risks and uncertainties faced by the business, including many of those principal risks set out on pages 21-27. The viability assessment is subject to the material uncertainty disclosed in the going concern assessment set out on pages 108-109. The scenarios and uncertainties have varying negative impacts with operational cashflows decreasing and/or capex increasing due to remedial actions. Through the stress testing undertaken in previous years by the Board, including the impact under the Company’s Whole Business Securitisation (the “WBS”), the Directors considered the potential impact on financial covenants (whilst noting that a number of the Company’s financial and other covenants under the WBS are temporarily suspended) and liquidity, although the Directors recognise that these are highly likely to change as a result of any holistic recapitalisation by way of RP2 and that the scenarios outlined below have not yet been stress tested based on the current IBP, given the ongoing progress to achieve a sustainable recapitalisation by way of RP2 and the limitations of the current IBP in that regard. In the prior

year (2023/24), scenarios were developed based on the Board’s view of the aggregation of various risk events derived from our principal risks and uncertainties and by the Company’s past experience.

1. Adverse weather events: these are particularly relevant given extreme hot, cold (freeze thaw) and wet weather events have occurred in the past
2. Water quality failures: whilst remote, the industry has experienced Cryptosporidium contamination events. As Thames Water has several large water treatment sites, such an event could adversely impact a large number of customers
3. Cyber-attacks and corresponding asset failures: TWUL has witnessed an increasing threat of cyber-attacks as more activities move online

In prior year 2023/2024, none of the individual downside events threatened viability. For the combination scenarios, the adverse impact was severe enough such that credit ratios neared – but did not breach – Event of Default thresholds at certain points during the assessment period.

Long-term Viability Statement continued

Scenarios

1. Economic downturn influenced by macro events such as Covid-19, cost of living and inflation

Prolonged low GDP growth leading to low inflation and poor collection rates, mitigated in part by low interest rates and working capital management.

Given the regulatory framework where Regulatory Capital Value ("RCV") and revenues are inflation linked, and that a material portion of the Company's debt is not linked to inflation, the Company's viability is more at risk in scenarios involving low inflation. In a low inflation environment, the RCV would decline. However, the material portion of the debt which is fixed and not linked to inflation would not be lowered by the same amount, as such gearing would increase.

The majority of the Company's debt is either fixed nominal or inflation linked and part of our allowed revenue at each regulatory price review is linked to base interest rates. These factors significantly reduce the exposure of our nominal interest costs (on a cash basis) to changes in interest rates.

Principal Risk ("PR")

- Revenue Collection
- Liquidity
- Delivering within our means

2. Severe climate events and operational failures

Unplanned costs associated with extreme hot, cold and wet weather events and the failure of key assets impacting delivery of our water and waste services. This reflects the risks mentioned in the disclosure around climate change reporting. We assessed the impact of a series of adverse weather events involving an extreme hot, cold and wet weather event taking place.

Principal Risk ("PR")

- Customer experience
- Climate change, population growth and biodiversity
- Employee & physical asset protection
- Treat wastewater
- Supply of wholesome water

3. Water quality failures

Widespread water contamination event involving Cryptosporidium, resulting in a significant supply interruption and penalties.

Principal Risk ("PR")

- Customer experience
- Supply of wholesome water
- Compliance with legal & regulatory obligations
- Regulatory, legislative and political developments

4. Cyber security

A severe but not catastrophic compromise of technology and systems that control the operation of our water or wastewater services. Such a breach was assumed to be temporary in nature. Costs incurred related to opex. This downside also included failures of major water and wastewater assets requiring remedial measures, which increased total expenditure (totex).

Principal Risk ("PR")

- Customer experience
- Legacy technology
- Cyber security and data protection
- Treat wastewater
- Supply of wholesome water

5. Failures to achieve performance commitments and non-compliance with regulations

Penalties from failing to deliver performance as per the business plan and fines from regulatory/legal bodies.

Principal Risk ("PR")

- Customer experience
- Collect revenues
- Performance and resilience of our asset base
- Treat wastewater
- Supply of wholesome water
- Compliance with legal & regulatory obligations
- Engage stakeholders

6. Failure to achieve business plan objectives

We assessed the impact of an increase in totex over a five year period. This downside took into account the progress made in the turnaround programme to control costs assumed in the base case.

Principal Risk ("PR")

- Delivering within our means

7. Increase in the cost of new debt issuance

A 100 basis points absolute increase in the cost of new debt issuance was assumed to reflect a potential credit rating downgrade arising from adverse operational and / or financial performance

Principal Risk ("PR")

- Liquidity

8. Pandemic

One year impact of another pandemic similar to the first year of Covid-19 in the UK involving lockdowns and social distancing. Consequences involved lower cash collections mitigated by lower volumetric activity and working capital management. Quantification of the potential impact was based on experience of events in 2020/21

Principal Risk ("PR")

- Collect revenues
- Performance and resilience of our asset base
- PR11: Physical or mental harm

9. Adverse weather events

Based on a combination of scenarios 1, 2, 5, 6, 7, 8

Principal Risk ("PR")

- See above

10. Water quality failures

Based on a combination of scenarios 1, 3, 5, 6, 7, 8

Principal Risk ("PR")

- See above

11. Cyber attacks and corresponding asset failures

Based on a combination of scenarios 1, 3, 5, 6, 7, 8

Principal Risk ("PR")

- See above

Long-term Viability Statement continued

The Directors also considered various mitigating actions when applying the combined downside scenarios in the prior year (2023/24), each of which remain applicable for the purposes of the current viability assessment, subject to the material uncertainty regarding a successful recapitalisation transaction. To improve gearing, the Company could implement cash conservation measures that would not threaten the Group's statutory duties, cease distributions and seek further cash injections. To improve interest cover ratios, mitigants included stricter operating cost control and management of working capital. As a significant proportion of debt and some totex is index linked, the Company is less exposed to inflation risk.

For completeness the Board also considered how various economic downsides would impact the Company's defined benefit pension liability. As this pension liability is significantly hedged against movements in inflation and interest rates, we do not consider changes in such factors to have a severe adverse impact that would threaten our assessment of viability over the assessment period.

We have in place an established process to assess the Company's prospects, which is performed annually by senior management. The results of the assessment are considered by the Audit, Risk & Reporting Committee, which reviews and recommends the Long Term Viability Statement to the Board, where it is then in turn reviewed by the Directors for approval. The key assumptions underpinning the Directors' assessment include the following:

- The aggregate impact of adverse events and conditions, which are not considered in the scenarios modelled, would not exceed the additional mitigations available to management or result in an event of default under the Company's financing arrangements.

- As a result of changes to the Company's regulatory arrangements for AMP8, resulting either from the current discussions with Ofwat or the referral of the FD to the CMA, the Company's regulatory arrangement for PR24 will be deliverable, financeable and investable, taking into account Ofwat's duty under Section 2 of Water Industry Act 1991 (as amended) to "secure that water companies can (in particular through securing reasonable returns on capital) finance the proper carrying out of their statutory functions".
- TWUL can achieve and then subsequently maintain an investment grade credit rating during the remainder of the assessment period.
- The Group is able to access (and continue to access) capital markets at affordable rates of interest to maintain adequate liquidity following a successful recapitalisation transaction by way of RP2.
- TWUL secures new equity funding from existing or new investors in the Assessment Period to improve operational and environmental performance and increase financial resilience.
- The Company and defined benefit pension trustees agree to a reasonable and affordable contribution profile to repair the current or future funding deficit of the Company's defined benefit pension schemes, consistent with the outcome of previous triennial valuations.
- The Company remains in compliance with its principal duties under its Instrument of Appointment granted under the Water Industry Act 1991, consistent with its strategy and approved business plan.
- Ofwat, regulators or other stakeholders do not impose penalties or take enforcement actions on known or unknown matters that result in either the Company being placed into special administration or threaten the solvency of the Company or result in an event of default that cannot be mitigated, consistent with published guidance and policy.
- The water sector is not renationalised, consistent with the existing Government policy, as the Company believes the cost of nationalisation to the government, customers and investors would exceed any assumed benefits.

Board's conclusion

The Group actively monitors and responds to the risks identified in the viability assessment scenarios. There is a risk that future conditions will be more adverse than assumed in the analysis. This is because of the material uncertainties identified in the Going Concern basis of preparation and the limited scope of the viability assessment relating to the scenarios outlined above given the uncertainty around the Company's future business plan, which will be addressed during AMP8 once a sustainable recapitalisation transaction is agreed and the Company transitions to a revised and approved business plan in connection therewith. However, the Directors have concluded that, subject to a resolution of the material uncertainty of a successful recapitalisation by way of RP2, it has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year assessment period to 31 March 2030.

Sustainability and ESG

A spotlight on sustainability and ESG

We strive to incorporate sustainability into every aspect of our business.

It is central to everything we do and is reflected in the nine key themes of our sustainability policy¹.

- Protecting water, a precious resource
- Managing wastewater and sustainable drainage
- Mitigating climate change
- Adapting to climate change
- Delivering efficient operations
- Investing sustainably for the long term
- Promoting responsible operations
- Enhancing customer inclusion
- Maintaining a safe, inclusive and sustainable workforce

Our reporting

Each year, we publish a Sustainability Report and ESG Statement. It offers a snapshot of our achievements over the past year and our key future priorities. We also feature case studies that aim to bring our nine sustainability themes to life.

The Sustainability Report also includes our ESG Statement, which covers a wide range of ESG metrics, with data collated over a five-year period to help illustrate progress, challenges and trends. It aims to give a balanced view of our performance against ESG criteria and reinforce our commitment to transparency.

¹ We are just starting a new AMP and are reviewing a number of our policies (including the sustainability policy) having regard to the contents of Ofwat's Final Determination.

→ What does ESG mean to us?

Sustainability across all aspects of our business is embodied in the nine sustainability themes outlined in our sustainability policy. These themes impact every aspect of environmental, social and governance practices, reflecting both what we do and the way we do it.



Environmental

We rely on the natural environment to provide the water that we turn into clean, safe, wholesome drinking water and to return treated wastewater back into the environment. The environment around us sustains us and so we have a responsibility to look after it today and for future generations.



Social

We're focused on looking after and supporting our customers, as well as being a responsible and respected part of the local communities we operate in.



Governance

We take our responsibilities as a monopoly provider of an essential service very seriously. We're committed to the highest levels of governance and being led by our Purpose in everything we do. You can find our Governance Report from page 50.

→ A spotlight on sustainability and ESG

Our ambition is to create value for all our stakeholders including customers, employees, shareholders and the communities where we operate. A spotlight on progress is provided below. When it is published later in the summer, this year's Sustainability Report and ESG Statement will provide additional data covering the full AMP7 period (1 April 2020 – 31 March 2025).

Water

1 million

smart meters now installed

Received Government approval for our WRMP

Wastewater

Connection of all sites of the London Tideway Tunnel network completed

Pollution Incident Reduction Plan update published

100%

agreed coverage of Event Duration Monitors

Energy & Carbon

2,577 GWh

Renewable energy generated in AMP7

Two

Gas-to-Grid plants commissioned in AMP7

Community

Over 200k

more customers on social tariffs in 2025 than 2020

600k

customers now on our Priority Services Register

Biodiversity

11.5 hectares

of wetlands created in AMP7



Our people

Our priorities for our people are developing ourselves, our leadership and our culture.

Our employees are at the heart of delivering life’s essential service for our customers, communities and the environment.

Developing ourselves

We are working to create opportunities for colleagues to build the skills they need to perform at their best and grow their careers. We invest in developing our colleagues whose job it is to support our customers, and we have an extensive library of development resources available to all employees.

Keeping everyone safe and well is of paramount importance and we provide extensive health & safety training and assessment of competence in technical operational roles. During the year, we increased health & safety training by 50%, adding 359 courses comprising an additional 2,847 delegate spaces, and we delivered the training requirements for achieving our ISO 55001 certification for water quality.

We also work to develop the skills that we will need for the future and are committed to fostering a culture of lifelong learning and career development. Our apprenticeship programme has grown over the years and we now offer 35 apprenticeship standards and MBA-level qualifications. We have 243 apprentices, of which 106 are existing employees and the remainder are new hires, building our pipeline of future skills.

“

I attended the Emergency First Aid course. The training material is always confidently taught and the presentations are well paced to suit the audience. These safety courses are always engaging with regular opportunity for delegate input and involvement in practical activities. The first aid course was very relevant to the risks associated with working on site and was brought to life with real-life examples of work-based incidents where first aid was required.”

Paul Titcombe
Construction Assurance Engineer,
attended Emergency First Aid course



“

I am undertaking the Level 3 MOET Electrical Apprenticeship while working at Cassington sewage treatment works. I am eager to keep progressing through my career and with the apprenticeship I’m learning through hands-on experience of real-life experiences doing the job. The support from everyone is amazing. My line manager and mentors are always supporting me when I’m on site, checking on my welfare or if I have any questions.”

Nathan Shama
Electrical Engineering Apprentice

Our summer internship programme

Our summer internship programme welcomed a cohort of 26 students, with 69% female, 88% from ethnically diverse backgrounds, 23% with disabilities or long-term health conditions, and 27% who were the first in their family to attend university. We were pleased to offer permanent employment to nine of these interns at the end of the programme. The others have entered our alumni for potential opportunities in the future. We now have 85 candidates in this group, more than half of whom are engineering students who are applying for our 2025/26 graduate programme.

We have also grown our support developing talent through T-Levels, and we have introduced internships for neurodivergent individuals aged 16 to 24 years. Since its launch in September 2024, four interns have joined the scheme.

This year, we also launched the Infrastructure Strategic Skills Forum in collaboration with our supply chain partners to address potential skills gaps and increase inclusive employment opportunities for long-term sustainable careers in the water industry.

69%
female interns

88%
interns from ethnically diverse backgrounds

23%
interns with disabilities or long-term health conditions

27%
interns were the first in their family to attend university

Our people

Developing our leaders

We believe the effectiveness of our leaders is essential for our business to be successful and deliver our commitments to our customers and the environment through a highly engaged and motivated workforce. We have increased our investment in leadership development and, over the past year, we have refined and reintroduced our leadership framework, PACE, building it into our recruitment, performance management and development practices.

- Personal leadership – resilience and learning agility
- Accountability – taking personal responsibility and holding others to account
- Collaboration – working effectively across the business to solve problems
- Engaging leadership – communication and empowerment



I think a clear and effective leadership framework is essential in cultivating consistent and impactful leadership performance. PACE has been key in bringing to life the visibility of my strengths, enhancing my self-awareness, developing my own leadership skills and providing a structured approach to coaching and supporting others by driving a culture of continuous growth and collaborative success.”



Ben Jones

Head of Waste Systems Operations

We introduced the Personal Leadership Development Programme to equip our leaders with the skills and techniques required by the four leadership behaviours. The Executive team and its direct reports participated in programmes to aid team building and effective ways of working. A further 191 colleagues have attended since, and plans have been made to continue this roll-out. Our aim is to have all our management population attend this programme by September 2026.

The leadership behaviours are measured in our performance management processes. At the start of the year, all managers completed a performance contract, describing their accountabilities, annual goals and commitment to the leadership behaviours. We formally reviewed leadership performance twice – at the half-year and full-year points. We use performance ratings to facilitate development feedback and inform the Performance Related Pay Plan.

We continue to evaluate the effectiveness of our leadership development interventions through quarterly surveys. Every three months, around 800 colleagues were surveyed on topics relating to our turnaround plan, the way we work and leadership effectiveness. The most recent results from January 2025 showed improved results for most questions. The greatest improvements were the ratings for the statements:

- ‘Our performance is on a trajectory towards significant improvement’
- ‘I am able to raise issues or problems and ask for help to deliver results from my leader’
- ‘I feel that the Executive team is aligned and speaking with “one voice” irrespective of functional area’

The results are used to improve the Personal Leadership Development Programme and take further action to embed the leadership behaviours.



The Thames Water Personal Leadership Development Programme is changing leaders’ perspectives on leadership by encouraging a shift in mindset. It equips leaders with essential tools to align their leadership approach with the PACE leadership capabilities. Beyond the classroom, delegates benefit from ongoing support and practical toolkits that facilitate the application and embedding of the principles into the workplace. The impact is evident – noticeable changes in leadership styles have been commented upon, building our culture of empowerment and accountability.”

Sam Mather

Head of Leadership, Talent and Performance



Developing our culture

We want to be recognised as having a high-performing, inclusive and safety-first culture where we keep our promises. There is much to do, but we have been focused on working hard to become an inclusive employer and build trust with our colleagues and stakeholders, including our trade union partners.

It is our policy that employees will contribute to a culture of diversity and inclusion by treating fellow employees with acceptance, understanding and respect, which includes valuing diversity and inclusivity, and not tolerating bullying, harassment, discrimination or victimisation. We expect our people managers to:

- Create a safe and healthy working environment and promote wellbeing
- Act quickly and appropriately to deal with any acts of bullying, discrimination, harassment and victimisation
- Recruit, retain and develop competent employees in the right jobs. When doing so, they will not discriminate against any protected characteristics
- Treat employees fairly and in line with their employment rights
- Create an environment where employees are treated with respect and are able to bring their whole self to work within an inclusive and diverse culture

Our employee resource groups work alongside our central Equity, Diversity & Inclusion (EDI) team to foster an inclusive workplace. Together, we’ve delivered initiatives on bullying, harassment and inclusive leadership. The employee resource groups are:

- DAWN (Disability, Allies, Wellbeing & Neurodiversity)
- Multifaith REACH (Racial Equality & Cultural Harmony)
- Women’s Network
- Men’s Allies
- Parents & Carers
- Pride (LGBT+ and allies)

These groups have enhanced support for women returning to work, raised awareness about the menopause, celebrated religious events, and created safe spaces for men and their allies to discuss important issues including male cancers, suicide and bereavement. The Women’s Network won ‘Women’s Network of the Year’ and ‘Best EDI Initiative for its Allyship Programme’ at the 2024 Women in Utilities Network Awards. And the Pride network was recognised as a Stonewall Diversity Champion for championing LGBTQ+ inclusion.

We remain committed to breaking down employment barriers through partnerships that support under-represented groups. Our commitments include the Care Leaver’s Covenant, Ban the Box, the Tent partnership for refugees, the Ambitious about Autism Covenant, Homelessness Covenant and Employers Domestic Abuse Covenant.



We have made our approach to recruitment more accessible and fairer to make our workforce even more inclusive and diverse as a step towards earning our place as a force for good.

- We introduced redacted CVs to mitigate against hiring bias
- We improved our data monitoring with increased rates of disability declaration and social mobility tracking
- We trained hiring managers on inclusive recruitment techniques
- We are piloting different recruitment practices, including CV-less hiring and speed interviewing
- We have targeted the untapped talent in our communities through tailored initiatives providing opportunities for those not in education, employment or training.

Our people

Working in partnership with our trade unions

We work with our three recognised trade unions (TU), GMB, Unison and Unite, under our Partnership Agreement. This outlines the matters we negotiate, consult or communicate about relating to our colleagues in grades A and B, which makes up most of our workforce. The Agreement has been in place for several years and it is important to us to have a productive relationship with our TU colleagues. Over the last year, considering the challenges faced by the Company and with extensive reporting in the media, we have worked to revitalise this relationship. Throughout the formulation of our Liquidity Extension Transaction and the equity raise process, our Chief People Officer, with support from other Executive Directors and the HR team, has ensured that our TU partners have been provided with timely information at significant points, engaging in discussion and listening to their perspectives on our progress. We will continue to foster our relationship as we work to secure a firmer financial footing for the Company and deliver our turnaround priorities.

Our gender pay and ethnicity pay gaps

We've delivered a 1.2 percentage point reduction in our median gender pay gap and a 2.0 percentage point reduction in our median ethnicity pay gap. On 5 April 2025, which is the date we capture the data each year, our results were:

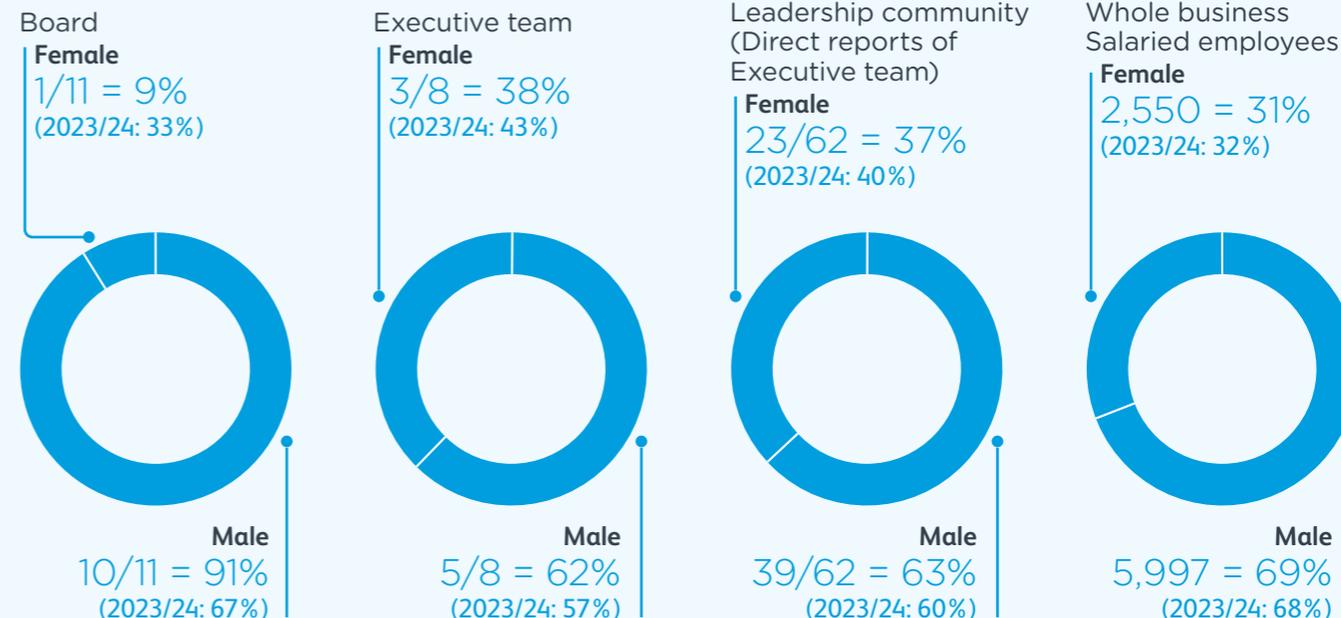
Mean gender pay gap 5.5% (2023/24: 5.2%)	Mean ethnicity pay gap 6.9% (2023/24: 9.2%)
Median gender pay gap 8.8% (2023/24: 10.0%)	Median ethnicity pay gap 5.3% (2023/24: 7.3%)
Mean gender bonus gap -3.8% (2023/24: -2.5%)	Median gender bonus gap 0.0% (2023/24: 0.0%)
Leadership female on 31 March 2025* 37% (2024: 40%)	Leadership ethnic diversity on 31 March 2025* 3% (2024: 2%)

*These data points are not part of the Gender Pay Gap reporting requirements; they are additional metrics that we monitor. All metrics that are specific to the TWUL annual report look at the last day of the FY i.e., 31/03/2025. The Gender Pay Gap regulation data requires a snapshot as of 05/04/2025.

The gender pay gap is the difference in the average earnings between men and women, regardless of the work they do. The median pay gap is the difference in pay between the middle-ranking woman and the middle-ranking man. Similarly, the ethnicity pay gap shows the difference in average earnings of employees of ethnic minority backgrounds, regardless of their jobs. Gender pay differs from equal pay, which looks at pay differences between men and women carrying out the same or comparable work.

The proportion of females (of relevant employees) who received a bonus/incentive payment was 86.2% (2023/24: 90.7%). The proportion of males (of relevant employees) who received a bonus/incentive payment was 89.5% (2023/24: 95%).

Gender diversity across Thames Water as of 31 March 2025



In terms of base pay, the average gender pay gap widened by 0.3 percentage points to 5.5%, whereas the median gender pay gap reduced by 1.2 percentage points to 8.8%. Female representation is greater in lower paid roles, for example Customer Service Agents, than higher paid roles, for example Process Controllers. Our gender pay gap will reduce further as we attract more women into technical roles. We continue to make good progress with attracting and retaining women through our Skills and EDI strategies; actively targeting women in our attraction campaigns and offering a women in leadership programme.

The mean gender bonus gap is -3.8%. The median gap remains at 0% as a result of the payment awarded to employees at the two lowest grades in our structure.

TCFD

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

Disclose the organisation’s governance around climate related risks and opportunities.

- a. Describe the board’s oversight of climate related risks and opportunities – page 36
- b. Describe management’s role in assessing and managing climate-related risks and opportunities – page 38

Strategy

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 39
- b. Describe the impact of climate-related risks and opportunities on the organisation’s business, strategy, and financial planning – page 39-40
- c. Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario – page 36

Risk Management

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 38
- b. Describe the organisation’s processes for managing climate-related risks – page 36-38
- c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation’s overall risk management – page 36-38

Metrics and Targets

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 41
- b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks – page 42
- c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets – page 41

→ 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.

¹ The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 – <https://www.legislation.gov.uk/uksi/2022/31/contents/made>
² https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf

→ 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

Where to find our detailed public disclosures:

- [This 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](#)

Task Force on Climate-related Financial Disclosures continued

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. You can find more information in our Board skills matrix in the Governance section on page 55.

The Board approves our overall governance arrangements, oversees the effectiveness of our systems of risk management and internal control, and establishes our risk appetite. Our 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 our Strategy and External Affairs Director. Our principal risks (see page 21) include risks relating to the physical and transitional risks of climate change and these are reviewed annually by the Board.

The 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 49).

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

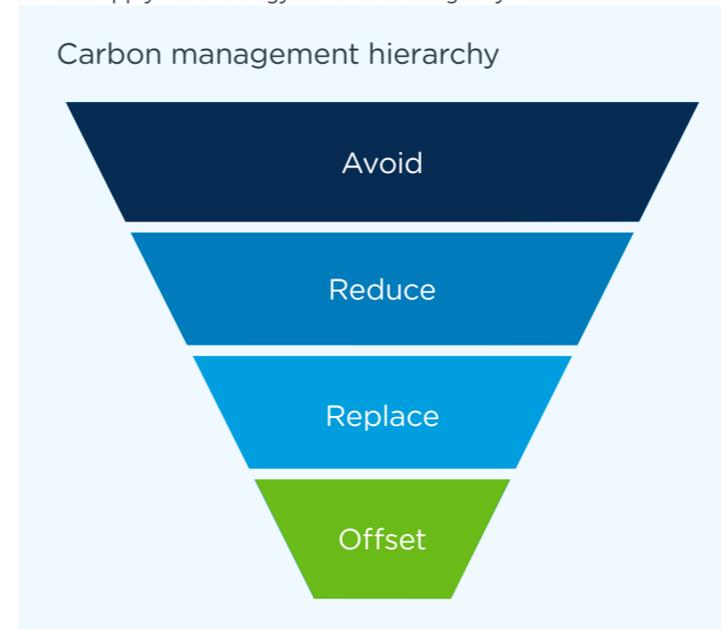
Mitigation

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

Task Force on Climate-related Financial Disclosures continued

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 37-38.)

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 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 \(2023\)](#)



Task Force on Climate-related Financial Disclosures continued

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.

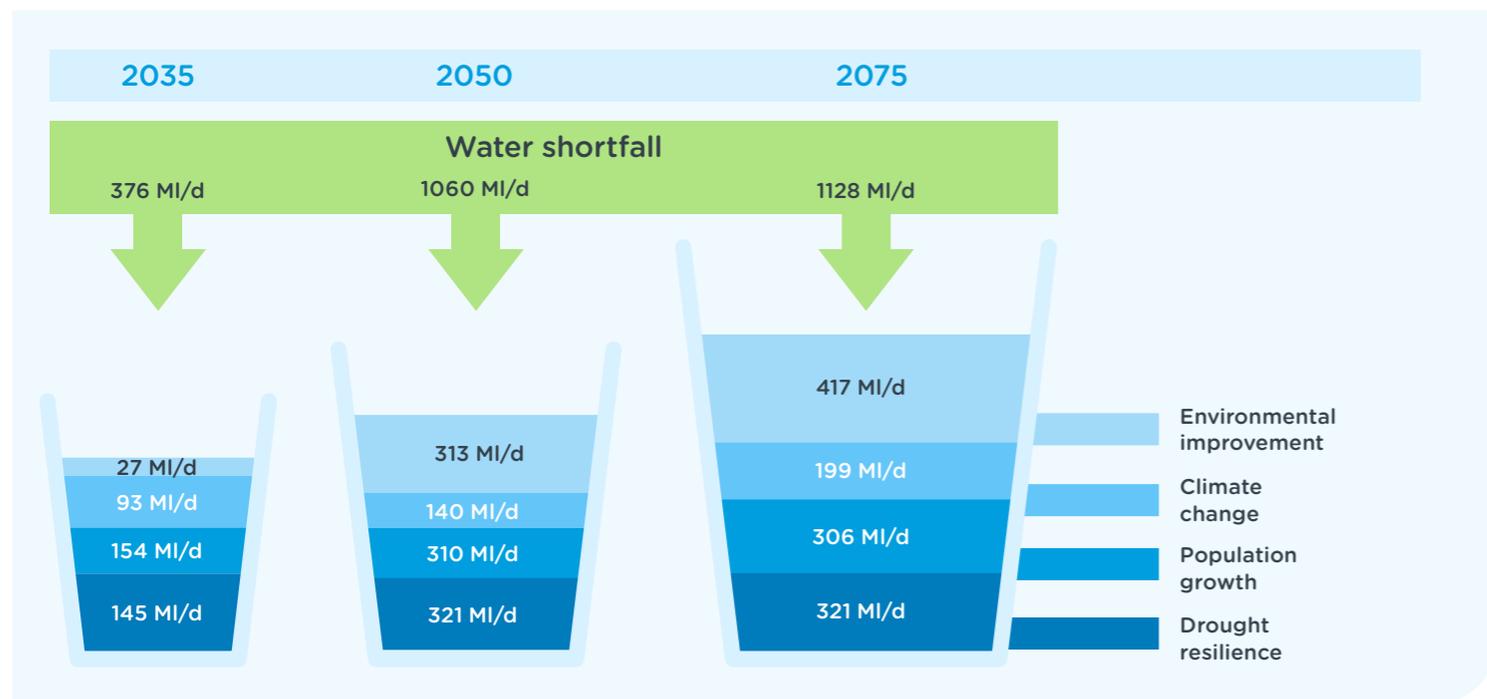
In our Water Resources Management Plan (WRMP) we set out that the 50th percentile of results from RCP8.5 probabilistic projections would be considered by Ofwat to be a 'high' (severe) future and that the 50th percentile of results from RCP2.6 probabilistic projections would be considered a 'low' (benign)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

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.



Our plans and reports on topics including ESG, climate change and sustainability

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 21 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 23.

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.

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

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

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

Transition risks

Risk	Drivers	Potential impacts	Opportunities and mitigations
Failure to achieve net zero operational emissions by 2030	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> New or changing policies, subsidies and incentives that impact on how we deliver water and wastewater services 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Achievement of net zero delayed A requirement to consider offsets for Scope 3 emissions Higher overall costs to achieve net zero 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Actively engage with delivery partners and supply chain to highlight plans and the requirement for low carbon goods and services

Risk	Drivers	Potential impacts	Opportunities and mitigations
Deliverability, financeability and affordability of moving to a low carbon future	<ul style="list-style-type: none"> Investment to deliver emissions reductions cannot be fully funded through the five-yearly regulated price review cycle due to deliverability, financeability and affordability challenges 	<ul style="list-style-type: none"> Bill impacts and affordability issues for some customers Achievement of net zero delayed Reputational impacts Higher future costs to achieve net zero 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Not all regulatory drivers are aligned in terms of managing and reducing carbon emissions, which could lead to increased emissions 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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

Potential future impacts on our finances



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	<p>Implementing tactical response plans for delivery of our annual performance targets in the face of acute physical risks informs the need for future improvements.</p> <p>Focus includes incident management plans & process-driven response plans, drought plan and localised response strategies.</p> <p>This is considered an operational timeframe reflecting weather events.</p>	<p>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.</p> <p>These five yearly financial plans are called Price Reviews and result in a Regulatory agreed rolling 5-year investment plan.</p> <p>For AMP8, we will have a key focus on river health and leakage to accommodate the impacts of climate change, population growth and urbanisation.</p>	<p>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.</p> <p>Our Long-term Delivery Strategy included in the plan includes several leading and lagging monitoring metrics where the driver is climate change.</p> <p>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.</p> <p>Publishing our first Drainage and Wastewater Management Plan looking at wastewater requirement in 2023.</p>
Includes	<p>Undertaking an appraisal of the health of our assets to inform our Asset Health Insight.</p> <p>Assessing and delivering operational tasks/ operation & maintenance of assets.</p>	<p>Engaging with key stakeholders to agree response plans including Environment Agency, Ofwat, Customers and local communities.</p> <p>Use of scenarios to determine responses. Assessment of capital investment needs including the promotion and delivery of large-scale capital solutions.</p>	<p>Proactive engagement with Government and regulators to inform and help shape a long-term coordinated regulatory framework at the regional and sector level.</p> <p>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.</p> <p>Our Long-term Delivery Strategy metrics will have clear owners and executive sponsors, trigger points and at least annual monitoring.</p>
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 24 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Improve energy security and reduce impacts of price volatility by generating more renewable electricity. (A)

Area	Metric description	2025	2024	Related Activities (A)/Targets (T)/Performance (P)
Physical Risks	Need to maintain Security of Supply Index at 100 (%).	98	99	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Achieve 50% Leakage reduction by 2050. (T)
	Increase hectares of impermeable surfaces removed in AMP7 (ha).	28.67	4.56	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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)

Task Force on Climate-related Financial Disclosures continued

Managing carbon emissions

The UK Government has set a national target of net zero carbon emissions by 2050³. 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) emissions⁴. 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”.

➔ See operational greenhouse gas emissions and energy management, and our carbon target sections of the Directors’ Report for further details on pages 93-94



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 respectively⁵. 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 scopes⁶:

- 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 1990⁷. 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.

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

³ https://www.ofwat.gov.uk/wp-content/uploads/2022/01/Net_Zero_Principles_Position_Paper_Jan_2022.pdf

⁴ <https://www.water.org.uk/news-views-publications/publications/net-zero-2030-routemap>

⁵ <https://www.ipcc.ch/assessment-report/ar5/>

⁶ <https://ghgprotocol.org/corporate-standard> – the table above describes the emissions included in our assessment.

⁷ Net operational emissions. The 1990 baseline was determined using Scope 1: direct emissions from owned or directly controlled sources, and Scope 2: indirect emissions from the generation of purchased energy only.

Task Force on Climate-related Financial Disclosures continued

More information about our Carbon Reduction Strategy, subject to funding, for AMP8 can be found in **Appendix TMS49: Our AMP8 Carbon Reduction Strategy and Net Zero Bid**.

Strategic plans and reports containing more information about our understanding and response to climate change:

Plan/Publication	Description	Period covered
Price Review 24 Our Business Plan 2025-2030 submitted and updated in April 2024	Our business plan draws together insights from our modelling, engagement with stakeholders and our regulatory environment – and sets out our key plans, priorities and targets as a business for the next five years so that we are focusing on the most important areas. These clear focus areas will help us to manage and mitigate the challenges of climate change and population growth.	2025-2030
Adaptation Reporting Power 4	Our latest Climate Change Adaptation Report was submitted to Defra in November 2024. The report describes our climate-related risks, challenges and opportunities, and how we have been working with our stakeholders to manage these risks. Next reporting date 2029.	2024
Drainage and Wastewater Management Plan	Our DWMP is a ‘long-term strategic plan that will set out how wastewater systems, and the drainage networks that impact them, are to be extended, improved, and maintained so they are robust and resilient to future pressures’. The plan is over 25 years, from 2025 to 2050, and will be renewed on a 5-year cycle. The plan has been developed to mitigate the forecast impacts of climate change and population growth up to 2050. The DWMP follows a multi-step process that identifies the impact climate change and population growth will have on our systems and then develops a strategic-level investment plan for areas most affected. It provides a long term (25-year) view of investment so that our systems remain resilient to future demands.	2025-2050
Water Resources Management Plan	<p>Our WRMP has been signed off by the Secretary of State for Environment, Food and Rural Affairs. It is a strategic plan which sets out how the Company plans to achieve a secure supply of water for customers, and a protected and enhanced environment. The plan takes a 50-year forward look to 2075 and includes:</p> <ul style="list-style-type: none"> • Forecasts for the likely demand for water, taking account of population growth, climate change, and changes in water use due to new housing standards, improved efficiency of water fixtures and fittings, and the impact of smart water meters • Forecasts for the amount of water available for public water supply including the impacts of climate change • A range of feasible options to reduce demand for water, called demand reduction options, and options to increase the amount of water available, called new water sources, as well as catchment and nature-based solutions • An assessment of the environmental impacts and opportunities • An adaptive pathways approach to long-term planning to accommodate uncertainties, including climate change, with a preferred, or reported, programme of investment which includes both demand and supply options to provide a secure water supply and best value to society and the environment. 	2025-2075
Drought Plan	Our Drought Plan shows how we will react to a period of unusually low rainfall. It also sets out our plan to protect our business against more severe droughts as weather patterns change. The plan does not directly reflect the future impacts of climate change, but is used to understand how severe drought will impact our water supply and how the risk can be managed effectively. We are currently developing the next update of this plan.	2022-2027
Our Pollution Incident Reduction Plan	Our PIRP (updated in September 2024) investigates the causes of pollution and explores the initiatives we are putting in place to tackle the problem, like increased sewer cleaning, investment in our infrastructure and public behaviour-change campaigns such as ‘Bin it – don’t block it’. These types of actions will help manage pollution risks in a variable climate future.	2025-2030

Chief Financial Officer's statement

Financial Review



My focus will continue to be on establishing a more stable financial foundation through delivering the turnaround and recapitalisation of the business.”

Steven (Steve) Buck
Chief Financial Officer

I joined Thames Water in April 2025, having previously served at the Company between 2002 and 2007. A lot has changed in that time and, in my first months, I have been getting back up to speed at this pivotal time for the business. What has not changed is the dedication and passion our people have for serving our customers and the environment and for driving improvement every day.

My focus has been, and will continue to be, on establishing a more stable financial foundation by delivering the turnaround and recapitalisation of the business. During the year to 31 March 2025, we have faced an increasingly challenging financial position. Gearing reached 84.4%, cash available fell to £235 million, and our credit ratings at both the Corporate Family level, and for our Class A debt, were lowered to sub-investment grade.

We met 27 of our 55 regulatory performance commitments, yet received a performance penalty of £88m, the second highest in the 2020-2025 regulatory period. Nevertheless, our underlying company performance has strengthened: we are increasingly in control of our operational expenditures, and we have been successful in accelerating the pace of capital expenditure. The year saw strong underlying growth in both revenues and EBITDA, as a result of an increased customer base, higher consumption and the annual tariff increase.

We are delivering a substantial increase in investment throughout the five-year period covered by AMP8 (1 April 2025 to 31 March 2030). Over this period, our business plan means that we will be investing nearly double what we have done in the previous five-year period, which reflects our extensive environmental obligations, our ageing infrastructure, and the need to protect the environment in the face of more challenging climate conditions. To deliver this sharp increase in capital expenditure efficiently and effectively, we need to secure the financing that is necessary to fund it.

We have concluded that the balance of risks and reward in our Final Determination (FD) by Ofwat in 2025 did not provide what was needed for an investable and financeable business plan during the 2025-2030 period. This is unlikely to change without a re-set of the regulatory landscape. We have taken steps to secure the required financing in the near term to maintain our status as a going concern, and to give us the time needed to secure a sustainable longer-term outcome for our finances. We have taken the decision to refer the Ofwat determination to the CMA. We have agreed with Ofwat to pause the referral for 18 weeks to 21 July 2025 to give time for discussions between the Company, the Ad-Hoc Group of our Class A creditors (the Class A AHG), Ofwat and other public sector stakeholders which, if successful, could provide the basis for a holistic recapitalisation of the Company. The timetable for the process (including the CMA deferral) remains under review.

Our creditors continue to support our efforts to recapitalise with a view to securing court approval for a second restructuring plan (RP2) to put the Company on a sustainable long-term financial footing. An equity raise process commenced in summer 2024 and this has resulted in the Company progressing a proposal by the Class A AHG. It is this alternative proposal that is currently being discussed with Ofwat.

In the meantime, we continue to deliver our transformation plan, seeking to scale up our capital delivery capacity, improve the performance of our assets and drive continuous improvement. Recapitalising the business and delivering within our means are at the core of our plan. This will not be done without risk, and I would draw your attention to both the Principal Risks section in this report (page 21), which describes the challenges still facing the Company, and the basis of preparation disclosure in the financial statements and the long term viability statement.

Chief Financial Officer's report

Income Statement

£m	31 March 2025				31 March 2024			
	Underlying	Exceptional items	BTL	Total	Underlying	Exceptional items	BTL	Total
Revenue	2,602.8	–	135.4	2,738.2	2,401.4	–	116.8	2,518.2
EBITDA	1,334.9	(219.9)	135.1	1,250.1	1,208.0	(43.9)	116.6	1,280.7
Operating profit	556.1	(219.9)	135.1	471.3	444.5	(43.9)	116.6	517.2
Net finance expense	(414.3)	(192.5)	–	(606.8)	(393.3)	–	–	(393.3)
Net (losses)/gains on financial instruments	(148.0)	(92.5)	–	(240.5)	152.3	–	–	152.3
Expected credit losses	–	(1,270.6)	–	(1,270.6)	–	(118.9)	–	(118.9)
(Loss)/Profit before tax	(6.2)	(1,775.5)	135.1	(1,646.6)	203.5	(162.8)	116.6	157.3
Tax	18.8	84.8	29.2	132.8	(63.7)	11.0	(29.2)	(81.9)
Profit/(Loss) after tax	12.6	(1,690.7)	164.3	(1,513.8)	139.8	(151.8)	87.4	75.4

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), 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, which is 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 that was 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 £112 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.

Loss/Profit before tax

Underlying loss before tax of £6 million, decreased from £204 million of profit before tax in 2023/24. This £210 million movement was driven by losses on financial instruments, offset by operating profit and financing costs.

Total loss before tax was £1,647 million, down from a £157 million profit before tax in 2023/24. Total loss before tax in the year includes £135 million of profit on BTL and exceptional expenditure totalling £1,776 million, broken down as follows:

- £1,271 million of expected credit loss provision recognised against the intercompany loan receivable from TWUL's immediate parent company, Thames Water Utilities Holdings Limited. This balance is fully provided for, as it is not deemed recoverable
- £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, Thames Water paid £206 million to HMRC in business rates, employer PAYE, employer National Insurance Contributions, and other taxes. The corporation tax charge is based upon the standard rate of corporation tax in the UK of 25%, which is 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, primarily due to capital allowances on capital expenditure, tax deductions for borrowing costs and group relief which has arisen on interest expenses in holding companies.

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 £19 million comprised a current tax charge of £72 million and a deferred tax credit of £91 million. The total tax credit of £133 million reflects a £29 million tax credit on BTL, which is a reversal of the 2023/24 BTL charge due to a change in position regarding not paying for group relief by the Company and TWUF.

Profit/Loss after tax

Underlying profit after tax was £13 million, a decrease from a £140 million profit after tax in 2023/24.

Total loss after tax was £1,514 million, a decrease from £75 million of profit 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 the resilience of our network, mitigate climate change and address population growth.

Chief Financial Officer's report continued

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

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

Cash flow statement

Year ended	31 March 2025			Restated 31 March 2024		
	Underlying	BTL	Total	Underlying	BTL	Total
Operating cash flow	1,269.6	19.5	1,289.1	1,136.2	(0.7)	1,135.5
Cash capex ¹	(2,018.6)	–	(2,018.6)	(1,886.7)	–	(1,886.7)
Free cash flow	(749.0)	19.5	(729.5)	(750.5)	(0.7)	(751.2)
Net interest paid	(212.9)	–	(212.9)	(142.7)	–	(142.7)
Cash inflow from financing activities excluding interest paid	23.1	–	23.1	276.7	–	276.7
Dividends paid	–	–	–	(64.6)	–	(64.6)
Net cash (outflow)/inflow	(938.8)	19.5	(919.3)	(681.1)	(0.7)	(681.8)
Gross debt			(17,100.4)			(16,528.2)
Cash and cash equivalents ²			306.4			1,281.2
Closing net debt			(16,794.0)			(15,247.0)

¹ Cash capex is net of proceeds from sale of property, plant and equipment.

² Gross cash and cash equivalents excluding bank overdraft.

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 that is currently underway.

Underlying operating cash flow increased by £134 million to £1,270 million, driven by an increase in working capital and offset by a decrease in operating profit.

Net interest paid of £213 million for the year represents a £70 million year-on-year increase, primarily driven by higher net debt and increased borrowing costs. Net cash interest paid for senior covenant calculation purposes was £414 million, a £102 million increase year-on-year (although the financial covenant is currently suspended).

There was an underlying net cash outflow of £939 million in the year and a total net cash outflow of £919 million. Total gross cash and cash equivalents held at 31 March 2025 comprised £306 million.

The prior year cash flow statement has been restated, due to the presentation of (i) the adoption of nil cost assets and (ii) the net settlement of dividends declared, and tax losses sold. Please refer to page 125 for further information.

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, TWUL had available cash and cash equivalents of £424 million.

Gearing and interest cover

Net debt increased to £17,725 million. 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

The Company is 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 Thames Water, both to meet its licence conditions and to raise debt to finance its investment programme.

The Company 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)

Chief Financial Officer's report continued

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%; the effective cash cost of interest was 3%.

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.

Going concern

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.

However, the Directors believe there exists a material uncertainty as to whether the Group and the Company will be able to deliver a recapitalisation transaction by way of a court approved restructuring process successfully, either within the Assessment Period or at all. If it fails to do so, the Company would need to consider all options available to it at the time, but a possible consequence would be a special administration of the Company under the Water Industry Act 1991. The elements which will be key to the success of a recapitalisation transaction are each subject to uncertainties which are outside of the Group and Company's control and which could occur in the very near term. For further details refer to the basis of preparation disclosure in the financial statements.

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 our 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 £1.5bn accordion facility.

Both the committed £1.5bn 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, TWUL 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 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 commenced in summer 2024, resulting in five non-binding offers received on 5 December 2024. On 31 March 2025, the Company 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 the Company. Following this announcement, the Company 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.

Dividends

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 to 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 150 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.

Non-financial and sustainability information statement

Non-financial and sustainability information statement

The table below outlines where the key content requirements of the non-financial and sustainability information statement can be found within this document (as required by sections 414CA and 414CB of the Companies Act 2006).

Reporting requirements	Our policies and approach	Section within Annual Report	Page(s)
Environmental matters	• Environmental policy	ESG highlights	31
	• Climate change policy	Stakeholder engagement	19
	• Biodiversity policy	Taskforce on climate-related financial disclosures	35
	• Energy policy	Health, Safety, Environment and Sustainability Committee Report	65
	• Sustainability policy		
Employees	• Public value and heritage policy		
	• Our values	Our people	32
	• People policy	Gender pay and ethnicity pay gaps	34
	• Board diversity policy	Workforce engagement	61
	• Health, safety and wellbeing policy	Stakeholder engagement	19
Social matters	• Employee relations corporate standard	Governance section (board diversity)	58
	• Mandatory training corporate standard		
	• Public value and heritage policy	ESG highlights	31
Respect for human rights	• Procurement framework standard	Stakeholder engagement	19
	• Tax management	Financial review	44
	• Modern slavery act statement	Our people	32
Anti-corruption and anti-bribery matters	• Privacy notice	Gender pay and ethnicity pay gaps	34
	• Data governance, privacy and information security policy	Stakeholder engagement	19
	• Charitable matched funding and paid 'Time to Give'	Our principal risk and uncertainties	21
	• 'Hear 4 you' employee engagement		
Anti-corruption and anti-bribery matters	• Honest and ethical behaviour policy and standards	Strategy, purpose & vision section	3
	• Competition compliance policy	Our people	32
	• Corporate criminal offence statement		
	• 'Speak-Up'		

Reporting requirements	Section within Annual Report	Page(s)
Description of business model	Business model	9
Policy embedding, due diligence and outcomes	Our principal risk and uncertainties	21
	Strategy, Purpose & Vision section	3
Description of principal risks and impact of business activity	Our principal risk and uncertainties	21
Non-financial key performance indicators	Key performance indicators	2
Climate related financial disclosures	Taskforce on climate-related financial disclosures	35

Section 172

Stakeholder engagement is central to moving forward together in transforming for a resilient future

Our seven key stakeholders:

Customers	Colleagues	Communities and Non-Governmental Organisations (NGOs)	Investors	Regulators	Suppliers	Policy makers and elected representatives
Our customers rely on us to provide safe, clean, wholesome drinking water and to responsibly treat waste	Our employees are key to delivering our turnaround. We need to listen to them, and act upon that, and to recognise and reward their contributions	We collaborate with our communities and representative NGOs to promote ethically minded and environmentally focused business decisions	We are working with our current and potential investors to provide the financial foundation that underpins our current and future operational delivery	We aim to collaborate closely and transparently with our regulators to respond to their expectations and to secure an investable, financeable and deliverable business plan	Establishing and maintaining strong relationships with our suppliers is integral to realising our short and long-term goals	Constructive engagement with policy makers and elected representatives is key to building trust and aligning public policy and legislation with our business model

The Board must act in accordance with the duties set out in the Companies Act 2006 (the Act). Under section 172 of the Act, the Board has a duty to promote the success of the Company for the benefit of its members as a whole. When making decisions, the Directors of Thames Water must act in a way they consider, in good faith, would most likely promote success of the Company for the benefit of its members, and in doing so have regard to the matters set out in section 172(1) of the Act.

Our Company purpose is to deliver life's essential service so our customers, communities and the environment can thrive. As a provider of an essential public service, Thames Water's governance framework is conducive to Board-level decisions being made with the different needs and interests of stakeholders, and their longer-term impact, being considered throughout the whole decision-making process. However, it is not always feasible to provide optimal outcomes for all stakeholders and the Board at times has to make decisions based on the competing priorities of stakeholders and the needs of the Company. More information on the key decisions made by the Board in the year and how stakeholders were considered can be found on page 60.

Section 172 factor	Relevant disclosure	Page
(a) the likely consequences of any decision in the long-term	• Purpose and strategy	3
	• Business model	9
	• Our management focus	11
	• Risk management	21
	• Regulatory Strategy Committee report	64
(b) the interests of the Company's employees	• Non-financial and sustainability information statement	48
	• Our People	32
	• Board engagement with stakeholders	60
	• Board workforce engagement	61
	• Directors report	91
(c) the need to foster the Company's business relationships with suppliers, customers and others	• Board activities and decisions	59
	• Stakeholder engagement	19 and 20
	• Board engagement with stakeholders	60
	• Health, Safety, Environment and Sustainability Committee	65
	• Sustainability and ESG	31
	• Market review	7
(d) the impact of the Company's operations on the community and the environment	• Our management focus	11
	• Customer Service Committee Report	63
	• Board activities and decisions	59
	• Task Force on Climate-related Financial Disclosures	35
	• Health, Safety, Environment and Sustainability Committee Report	65
(e) the desirability of the Company maintaining a reputation for high standards of business conduct	• Sustainability and ESG	31
	• Our people	32
	• Our principal risk and uncertainties	21
	• Audit, Risk & Reporting Committee Report	69
(f) The need to act fairly between members of the Company	• Board activities and decisions	59
	• Board engagement with stakeholders	60
	• Directors report	91
	• Restructuring Committee Report	68

Corporate Governance Report

Chairman's Statement



Dear Stakeholders

I would like to thank the whole Board for their continued dedication and commitment to steering the Company through another challenging year and, on behalf of the Board, I am pleased to present our Governance Report for 2024/25. The Board and the Executive team have taken proactive steps to maintain and build up on a resilient and sustainable governance framework, which we believe makes us stronger and better placed to make sound decisions in the interests of the Company and its stakeholders. As highlighted in my Chairman's Statement on page 4, this has been another busy period for the Board, and its Committees, with a significant amount of time being spent on liquidity considerations, restructuring activities, Ofwat's price review and our Turnaround Plan. This Governance Report covers the activities of the Board and its Committees during the year, outlining how we have promoted best practice and effective corporate governance procedures to support the Board in discharging its responsibility for overseeing strategy and performance, and supporting the creation of long-term value for the Company.

My governance highlights from 2024/25

What's been important to me

My priority this year has been to facilitate the Board's delivery of further robust stewardship of the business on its journey towards a resilient future, making the correct strategic decisions after considering the impact on our various stakeholders. During the year, we have:

- Had our restructuring plan approved
- Appointed five new Independent Non-Executive Directors
- Appointed two new Executive Directors
- Introduced a new Restructuring Committee to reflect the in-year needs of the Company
- Combined the Turnaround Committee and the Operational Oversight Committee to form the Operational Oversight and Turnaround Committee
- Appointed Catherine Lynn as Workforce Engagement Lead Director

Our considerations and decisions

The Board considered and approved a number of business-critical initiatives during the year. We met on 29 occasions, highlighting our very dynamic business and corporate environment. Decisions were required to be made quickly, to enable full consideration of their consequences for our stakeholders. As highlighted elsewhere in this Report, a considerable amount of Board involvement and decision-making was required in relation to the restructuring plan. In addition to this task, the year represented the last year of AMP7, meaning that business-critical decisions were required in relation to both Ofwat's Price Review process for AMP8, and the EA's Water Industry National Environment Programme (WINEP).

 **More information on the Board's activities for the year can be found on page 59**

Purpose, culture and engagement

The Company's Purpose and culture have continued to be an important focus for the Board. Our people remain our greatest asset, and so the health, safety and wellbeing of employees, customers, communities and individuals are put above all else. Therefore, updates on health, safety and wellbeing matters are a standing item at scheduled Board meetings, with the Board fully endorsing the expectation that everyone involved with Thames Water will return home safe and well every single day.

Board engagement remains a key pillar for understanding the culture of the organisation. We have a dedicated Workforce Engagement Lead Director on the Board, and I was delighted that Catherine Lynn agreed to take on this role during the year. My thanks go to Ian Pearson for having undertaken this role so diligently prior to Catherine's appointment. A full report from Catherine has been included on page 61 of this Report.

In March, the Board held a strategy day at Fobney, one of our water treatment sites. The Board considered and discussed stakeholder and customer needs and expectations, together with the proposed customer service strategy. Chris and I have also visited different sites during the year, with Chris having visited 21 different sites, including water treatment works, waste treatment works, pumping stations, reservoirs and field teams.

I would like to take this opportunity to thank all of our people again for their contribution to the business, as demonstrated in their focus on our customers, our environment and each other.

Governance

This year has again been an exceptionally busy period for the Board and its Committees, with the need to address a number of areas, from liquidity to turnaround, to regulatory expectations, as the business addresses the challenges it faces to move into the optimal position to support its Purpose – delivering life's essential service, so our customers, our communities and the environment can thrive. Throughout the year, the Board has been supported by various advisers on these areas of focus, including: Linklaters LLP, AlixPartners, Teneo, Bain, and Rothschild & Co.

Given the challenges facing the Company, we created the Restructuring Committee in August 2024 to increase the Board's oversight of the Company's restructuring activities. Board representation on this Committee focused on the restructuring expertise of three of our newly appointed Directors. The Restructuring Committee met 22 times between its inception and the end of the financial year. In addition, we also established a sub-committee to focus on the equity side of our restructuring, with membership being made up of myself and three Independent Non-Executive Directors. We have combined the Turnaround Committee with the Operational Oversight Committee to form the Operational Oversight and Turnaround Committee, to further reinforce the significance of operational matters as part of the Company's turnaround and broader transformation plan. A more detailed overview of the work of the Restructuring Committee and the Operational Oversight and Turnaround Committee can be found on pages 68 and 62, respectively.

As outlined in my Chairman's Statement on page 4, the year saw a number of changes in the composition of the Board, with the appointment of new Board members who bring with them valuable expertise in restructuring, transformation, IT and digital matters, finance, construction and operations to help support the Company going forwards.

Board Effectiveness Review

Our Board follows the UK Corporate Governance Code (Code) provisions with some exceptions, as set out in the Compliance Statement on page 51, along with the Ofwat Principles on Leadership, Transparency and Governance. In line with the Code's requirements, the Board's annual review of its effectiveness was conducted in 2025. The review was facilitated by the same external consultant as in 2023/24, Independent Audit Limited, in order to provide an objective comparison with the results from the previous year.

Since the previous Board Effectiveness Review several changes and improvements have been made. We have increased the cadence of scheduled Board meetings from five to six in a year, in line with the Company's Articles of Association, and simplified the standing agenda items to drive efficiency and effectiveness.

As highlighted in my Statement in last year's Governance Report, the Board wished to see greater engagement from and closer oversight of executive management, with an expectation that achieving this aim would require extensive changes in governance and process. With the help of Independent Audit Limited, the Board carried out a self-assessment review this year. I am pleased to report that all those who answered the questionnaire felt that substantial improvement has been made over the year. In their report, Independent Audit Limited noted how the respondents highlighted that "some of the biggest improvements have come around areas like the Board's work on financial health, working with management, risk picture, consideration of stakeholders, having the right people and well-structured papers." Chris is seen by the Board as having made significant positive changes, with the Executive Team following his lead. The Board believes that it, too, has developed, especially with its current composition. However, the review also highlighted that there is no room for complacency, with an understanding that there is still progress to be made. Specific areas that could be improved include certain key themes: the impact of technology; cyber risk; overseeing culture; and assessing progress on the Turnaround Plan. We have since developed an action plan to address these areas.

Sir Adrian Montague

Chairman of Thames Water Utilities Limited

Compliance Statement

Compliance with the UK Corporate Governance Code and Ofwat Board Leadership, Transparency and Governance Principles (BLTG Principles)

The Board understands the importance of having high standards of corporate governance and sees good governance as going hand in hand with the performance of the Company. Although the Company's governance framework has been developed specifically to meet its requirements, the Company adopts as much of existing best practice as is appropriate. The Company follows the requirements of both the UK Corporate Governance Code (the Code) and Ofwat's Board Leadership, Transparency and Governance Principles (the BLTG Principles), as well as other applicable laws and regulations. We have complied with all aspects of the relevant provisions of the Code throughout the year, except, to the extent set out below, with Provisions 24 and 32. For part of the year, neither the Audit, Risk & Reporting Committee nor the Remuneration Committee were composed entirely of independent Non-Executive Directors, with one Non-Executive Director representing shareholders sitting on each of the Committees. The Board is satisfied that this arrangement, which meets the BLTG standard of having an independent majority, did not compromise the activities of those Committees. Both Committees are currently composed entirely of Independent Non-Executive Directors. See also an explanation as to Ian Pearson's tenure on page 53 in light of Provision 10.

UK Corporate Governance Code and BLTG Principles

1. Board leadership and company purpose

2.1 Purpose, values and culture

The Board remains committed to fostering a culture that aligns with the Company's core Purpose of delivering life's essential service so our customers, our communities and the environment can thrive. This is supported by the Company's values, the embodiment of which is how everyone is expected to behave.

Board decisions are taken with a view to their impact on the Company's turnaround strategy, in order to more consistently meet our commitments to our customers and regulators.

More on our leadership, Purpose, values and culture can be found below:

Our Purpose and strategy, page 3
Our management focus, page 11
Engaging with stakeholders, page 19
Business model, page 58
Our people, page 32
Board composition, page 58
Corporate Governance Report – Chairman's Statement, page 50
Section 172, page 49
Board of Directors, pages 53 and 54
Governance at a glance, page 55
Board engagement with stakeholders, page 60
Board activities and decisions, page 59
Board workforce engagement, page 61

2. Division of responsibilities

2.2 Standalone regulated company

The Board is responsible for setting and managing the Company's strategic direction. The Board has a schedule of matters reserved, which details those matters requiring the Board's approval. These include decisions concerning the Company's strategy, long-term plans, financial reporting, risk management, and various statutory and regulatory matters.

The Board delegates responsibility for the day-to-day management of the business to the CEO, which is reflected in the Company's internal authorisation documents. The Board Committee Terms of Reference set out the basis for the delegation of authorities from the Board to the Board Committees.

More information on Board roles and Board Committees can be found below:

Corporate Governance Report – Chairman's Statement, page 50
Board roles and responsibilities, page 57
Board Committees:
Audit, Risk & Reporting Committee Report, page 69
Nomination Committee Report, page 66
Remuneration Committee Report page 75
Operational Oversight and Transformation Committee Report, page 62
Customer Service Committee Report, page 63
Regulatory Strategy Committee Report page 64
Health, Safety, Environment and Sustainability Committee Report, page 65
Restructuring Committee Report, page 68

3. Composition, succession and evaluation

2.3 Board leadership and transparency

2.4 Board structure and effectiveness

The Board is committed to maintaining an effective Board composition, managing succession planning and undertaking an annual effectiveness review. The Board reviews its skills matrix and requirements in order to have a broad spectrum of skills, experience and expertise, in line with what is needed to deliver its strategic objectives and promote effective decision making, whilst considering diverse customer and stakeholder needs.

This year's self-assessment of the Board noted the progress that the Board and its Committees have made over the year, with all being well-run and competent.

More on Board structure and its members', its experience, skills and roles can be found at:

Chairman's Statement, page 4
Corporate Governance Report – Chairman's Statement, page 50
Board of Directors, page 53 and 54
Governance at a glance, page 55
Board roles and responsibilities, page 57
Nomination Committee Report, page 66
Remuneration Committee Report, page 75
Group structure, page 52
Corporate Governance Report – Chairman's Statement, page 75
Our CFO's statement, including statement on dividends, page 44
Directors' report, page 91

4. Audit, risk and internal controls

The Board has an established Audit, Risk & Reporting Committee, which currently comprises four INEDs. The Committee is accountable to the Board and assists the Board in fulfilling its oversight responsibilities by reviewing and monitoring the financial reporting process, the effectiveness of the Company's risk management and internal control systems, the internal and external audit processes, and the Company's process for monitoring compliance with the relevant laws, regulations, principles and guidance.

More on the Committee's composition, attendance, internal controls and decisions can be found in the Audit, Risk & Reporting Committee Report on page 69.

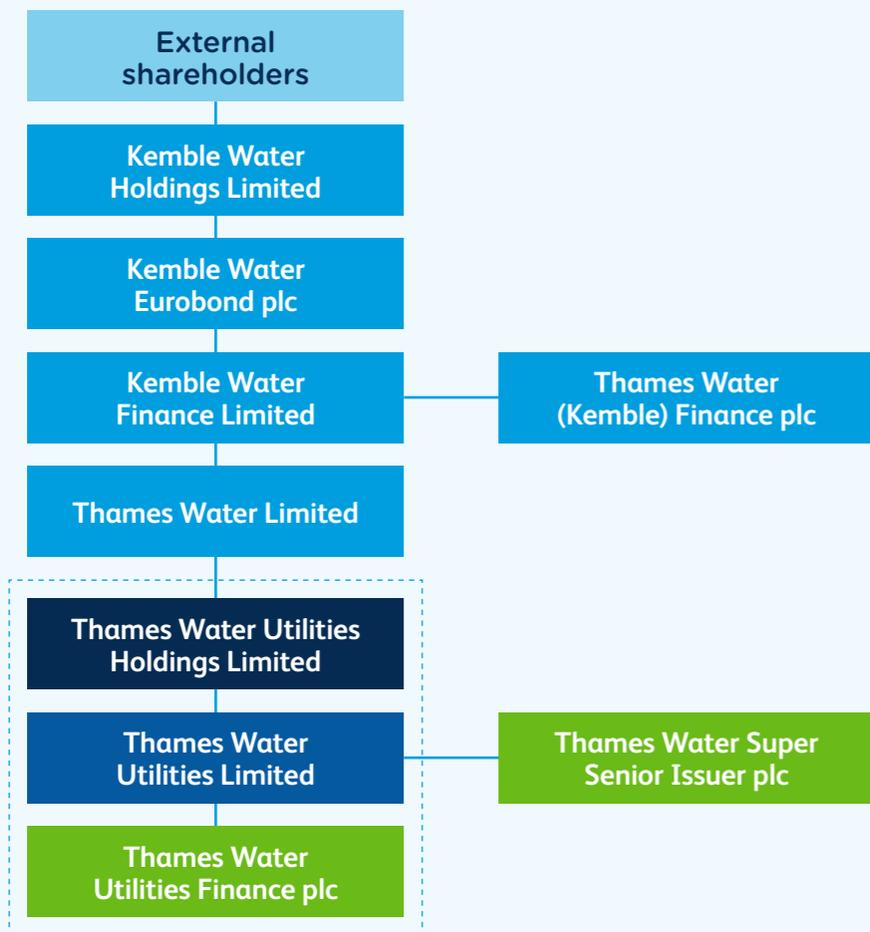
5. Remuneration

The Board has an established Remuneration Committee, which currently comprises of four INEDs. The Committee is accountable to the Board and assists the Board in developing and implementing the Directors' Remuneration Policy, overseeing the Company's application of all Executive and senior management remuneration policies and practices, in line with all relevant legal and regulatory requirements.

More on the Committee's composition, attendance and decisions can be found in the Remuneration Committee Report on page 75.

Group structure

Our structure explained



- TWUL Group financing company
- Regulated water company
- Whole Business Securitisation Group

Thames Water Utilities Limited, a regulated water company, is part of a group of companies owned by a consortium of institutional shareholders – mostly comprising pension funds and sovereign wealth funds. The simplified structure is set out above. All the companies in this structure are registered in the UK, in accordance with the Companies Act 2006, and are also registered for tax purposes with HMRC.

[Further details of the functions of these companies can be found on our website](#)

Our external shareholders

Who	How much	What they do
Ontario Municipal Employees Retirement System	31.777%	One of Canada's largest pension plans, with C\$134 billion of net assets and global experience in managing a diversified portfolio of high-quality investments
Universities Superannuation Scheme	19.710%	A UK pension scheme for the academic staff of UK universities
Infinity Investments SA	9.900%	A subsidiary of the Abu Dhabi Investment Authority, which is one of the world's largest sovereign wealth funds
British Columbia Investment Management Corporation	8.706%	An investment management services provider for British Columbia's public sector
BriTel Fund Trustees Limited	8.699%	A custodian trustee to the BT Pension Scheme, one of the largest UK pension schemes for the private sector. Hermes GPE is the investment manager for BriTel Fund Trustees Limited. Hermes GPE was erroneously listed as a shareholder in last year's accounts. Whilst Hermes GPE acts as investment manager on behalf of the shareholder, the legal owner of the interest is BriTel Fund Trustees Limited
China Investment Corporation	8.688%	One of the world's largest sovereign wealth funds
Queensland Investment Corporation	5.352%	A sovereign investor and an international institutional manager of a global portfolio of liquid and alternative assets, with headquarters in Australia
Aquila GP Inc.	4.996%	A leading infrastructure management firm and a wholly owned subsidiary of Fiera Infrastructure Inc., a leading investor across all sub-sectors of the infrastructure asset class
Stichting Pensioenfonds Zorg en Welzijn	2.172%	The Dutch pension fund for workers in the healthcare sector, managed by PGGM, a pension fund services provider managing the assets of several different pension funds

In July 2023, the 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, indicated to be in the region of £2.5 billion. This funding was subject to the satisfaction of certain conditions, including the preparation of a business plan that underpinned a more focused turnaround that delivered targeted performance improvements for customers, the environment, and other stakeholders over three years and that was supported by appropriate regulatory arrangements.

Following the 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 Group and Kemble Shareholders announced that, based on the feedback provided by Ofwat to the Company at that time, the regulatory arrangements that would be expected to apply to the Company in AMP8 made the PR24 business plan uninvestable. 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 remain ongoing to secure a market-led recapitalisation which secures and strengthens the Company's long-term financial resilience.

Board of Directors



Sir Adrian Montague

Chairman

Appointed in July 2023

Relevant skills

- Highly experienced Chairman and Non-Executive Director of both privately owned businesses and listed companies, with a focus on the utilities and infrastructure sectors
- Expertise in governance, finance, regulation and private finance for public infrastructure

Relevant experience

Previous roles include the Chairman of Manchester Airports Group, The City UK Advisory Council, Aviva Group plc, 3i Group, Anglian Water Group, Michael Page International plc, London First, British Energy Group plc, Friends Provident plc, Cross London Rail Links Ltd and Hurricane Exploration plc. Adrian was a former Deputy Chairman of Network Rail Ltd, Partnerships UK plc and UK Green Investment Bank plc.

From 1999-2001, he held senior positions connected with the implementation of the Government's policies to expand the use of private finance in the provision of public infrastructure, first as the Chief Executive of the Treasury Taskforce, then as Deputy Chairman of Partnerships UK plc. Before 1999, he was the Global Head of Project Finance at Dresdner Kleinwort Benson, having joined the bank in 1993, after 20 years as a lawyer with Linklaters & Paines.

Sir Adrian was awarded a CBE in 2001 and is a law graduate of Trinity Hall, Cambridge.

Sir Adrian is currently the non-executive Chairman of Cadent Gas and Porterbrook Rail, and a Trustee of the Commonwealth War Graves Foundation.



Chris Weston

Chief Executive Officer

Appointed in January 2024

Relevant skills

- Strong operational and strategic leadership expertise
- Turning round business performance
- Improving customer experience
- Working in regulated environments

Relevant experience

Chris is an experienced business leader who has held many senior roles in the energy and infrastructure sectors, both in the UK and around the world.

Before joining Thames Water, Chris was the CEO of Aggreko, an energy and temperature control company operating in 45 countries. Aggreko was bought in a public markets' transaction in 2021.

Before this, Chris worked at Centrica, the parent company of British Gas. He held several leadership roles, including as Managing Director of International Downstream. Chris was responsible for Direct Energy, Centrica's North American subsidiary. While leading Direct Energy, Chris covered upstream oil and gas operations, as well as downstream customer operations. For this role, he lived and worked in North America.

At Centrica, Chris was also the Managing Director of British Gas Services and British Gas Business. British Gas Services is one of the world's largest heating installation, repair and maintenance businesses. British Gas Business provides gas and electricity to businesses in the UK.

Prior to Centrica, Chris worked in the telecommunications sector for the Cable & Wireless Group. He held senior roles in Mercury Communications in the UK and Optus in Australia.

Chris was a Non-Executive Director of the Royal Navy from 2017 until 2023. He has been a Non-Executive Director of Barratt Homes since 2021. He became a Non-Executive Director of Water UK in January 2024.

Before his career in business, Chris served in the Armed Forces in the Royal Artillery. He has a PhD and an MBA from Imperial College London.



Steven Buck

Chief Financial Officer

Appointed in April 2025

Relevant skills

- Strategic thinking
- Transformation and change management
- Operational performance improvement
- Team leadership and development

Relevant experience

Steve is an experienced board-level CFO with proven expertise in capital-intensive and regulated industries, including infrastructure, utility and customer services. He is an expert in navigating complex regulatory processes, financial restructures and pioneering initiatives such as the launch of a UK green bond.

Before joining Thames Water, Steve was CFO at Pennon Group and Anglian Water. Prior to this, he was at Centrica for 11 years, where he held a number of senior roles, including as Group Head of Finance and Transformation and as the Finance Director of British Gas. He has previously worked for Thames Water from 2002 to 2007.

He is a Chartered Management Accountant.



Nick Land

Deputy Chairman and Senior Independent Non-Executive Director

Appointed in February 2017

Relevant skills

- Significant experience on the boards of leading global companies
- A highly experienced Chartered Accountant, with global financial and governance experience spanning more than four decades

Relevant experience

Nick brings a wealth of multi-sector finance and governance experience from this 10 years as Chairman of Ernst & Young, as part of his 36-year career at one of the world's largest accounting firms. He is a Non-Executive Director of IHS Holdings and Chair of the Private Equity Reporting Group of the BVCA, and is also a Chair of the Board of Trustees of the Vodafone Foundation. He was previously a member of the Global Executive Board and was a Non-Executive Director of the Financial Reporting Council for nine years.

This follows a long history of Non-Executive Director roles at global companies such as Vodafone Group, Alliance Boots GmbH and Royal Dutch Shell.

He is a Fellow of the Institute of Chartered Accountants of England and Wales.



Catherine Lynn

Independent Non-Executive Director and Workforce Engagement Lead Director

Appointed in November 2018

Relevant skills

- Expertise in strategic business management within a regulated, highly dynamic environment
- Proven success in embedding customer needs at the heart of business decision making in a large-scale, complex organisation serving millions of customers

Relevant experience

Catherine brings a wealth of commercial, operational, strategic and senior management experience, having played a leadership role in Europe's low-cost aviation sector for 20 years, with a focus on delivering outstanding customer service. She is currently the Chief Customer Officer for Parkdean Resorts, the UK's largest holiday park company, and is a former Group Strategy and Commercial Director of easyJet, where she was directly responsible for a number of major initiatives underpinning easyJet's successful exponential growth.

Catherine also has 18 years' experience as a Non-Executive Director at London Southend Airport.



Ian Pearson

Independent Non-Executive Director

Appointed in September 2014

Relevant skills

- Experienced Company Chairman, Non-Executive Director and adviser, with expertise in strategic orientation and value creation
- Wealth of experience in the development of public policy relating to climate change and the environment

Relevant experience

Ian brings extensive business and public sector insight to the Board. During a distinguished Ministerial career from 2001 to 2010, he held a number of positions, including Minister for Trade & Foreign Affairs, Minister of State for Climate Change and the Environment, Minister for Science, and Economic Secretary to the Treasury.

He is currently the Chairman of Eqtec plc, a clean gas technology solutions company, and Quantum Exponential plc, and has previously been a member of the UK Advisory Board of the accountancy firm PwC.

* As of September 2024, Ian Pearson had served on the Board for over nine years. However, the Board has determined that he continues to remain independent in character and judgement, as evidenced by the way in which he discharges his duties as a Director. The Board does not believe that the length of his tenure has compromised his independence or the effectiveness of his contributions, and note that he has no material commercial or business relationships with the Group. The Board further continues to consider that his continuity on the Board has been, and remains, of vital importance in the current climate.

Board of Directors continued



Aidan de Brunner

Independent Non-Executive Director

Appointed in September 2024

Relevant skills

- Board, investment and management experience gained over 25 years across a range of companies
- Expertise in navigating financial uncertainty through to stabilisation and transformation
- Focused on good governance as key to building trust and confidence in challenging situations

Relevant experience

Aidan brings with him extensive board, investment, restructuring and business transformation experience gained across a variety of businesses. In the UK, this includes the Trafford Centre in Manchester, the McLaren Group and London Southend Airport.

Aidan was previously an Independent Non-Executive Director and Chair of the Special Committee at Petrofac Limited, a UK-listed company operating globally and with more than 8,000 employees.



Neil Robson

Independent Non-Executive Director

Appointed in October 2024

Relevant skills

- A career focused on financial restructuring, as well as hands-on crisis management, operational restructuring, independent business reviews, M&A and due diligence
- Chartered Accountant with extensive Audit Committee experience

Relevant experience

Neil has worked with distressed companies for more than 30 years, including over 20 years in executive board positions as CRO or CFO, and non-executive roles.

Neil qualified with Arthur Andersen before establishing a career advising companies going through significant change or restructuring. Neil was a senior partner at THM Partners, the London-based restructuring advisory firm, from 2008 up to its sale to AlixPartners in February 2023. More recently, he has served as an independent Non-Executive Director on the boards of Codere New Topco SA and Australian Wine Topco Limited, the parent company of Accolade Wines.



Julian Gething

Chief Restructuring Officer

Appointed as Chief Restructuring Officer in December 2024 and to the Board in January 2025

Relevant skills

- More than 35 years' experience of delivering complex debtor-side financial restructurings
- A successful record of guiding distressed firms towards sustainable long-term solutions
- A collaborative and hands-on approach, which enables him to form deep and long-lasting relationships with clients and their stakeholders, enabling objectives to be delivered on an expedited basis

Relevant experience

Julian is a Partner and Managing Director at AlixPartners.

Prior to joining AlixPartners, he was a partner at McKinsey, THM Partners, and Arthur Andersen.

Throughout his career, Julian has taken on a range of board appointments, including as Chairman, Director and Chief Restructuring Officer, spanning a multitude of industries in the UK and internationally.

Julian has a Master's degree in Management from the London Business School and is a Fellow Chartered Accountant of the Institute of Chartered Accountants in England and Wales.



Andrew McNaughton

Independent Non-Executive Director

Appointed as an Adviser to the Board in September 2024 and to the Board in March 2025

Relevant skills

- 40 years of leading the delivery of complex major infrastructure investments across multiple industry sectors
- Extensive experience in Executive and Non-Executive leadership positions across the breadth of the infrastructure industry

Relevant experience

Andrew brings a depth of knowledge of the delivery of complex infrastructure projects and programmes, both across the UK and internationally. Andrew spent over 35 years delivering projects and leading businesses in industry, including a period as the CEO of Balfour Beatty Plc, before joining the Board of Directors of AWE Plc as a Non-Executive Director in 2021. In 2023, he took up his current role as Executive Director with AWE in order to lead its capital investment programme. Andrew is also a Non-Executive Director of Sheffield Forgemasters Ltd.

He is a Chartered Civil Engineer and a Fellow of the Royal Academy of Engineering.



Adam Banks

Independent Non-Executive Director

Appointed as an Adviser to the Board in July 2024 and to the Board in March 2025

Relevant skills

- Board leadership
- Digital transformation expert
- Experience in turning around business performance and culture change

Relevant experience

Adam brings a wealth of experience as an experienced Non-Executive Director and adviser, with an extensive background in business transformation and digital technology. He is passionate about performance and culture change. Adam has a track record of working across an organisation to redefine its products, services and, ultimately, its revenue base.

Previously, Adam was the Global Chief Technology and Information Officer at A.P. Moller-Maersk Group, where he was acknowledged by numerous bodies, including the World Economic Forum, for leading the recovery of Maersk following the world's largest cyber attack in 2017. He was also the Executive Vice President of Technology at Monitise, and the Chief Technology Officer and Head of Information Technology at Visa Europe, where he was accountable for Technology, Customer Services and a significant portion of the revenue base.

Adam currently holds a number of advisory roles with Rio Tinto, the Digital Container Shipping Association (DCSA) and Euroclear. He is also an Independent Non-Executive Director of TSB Banking Group, a Chair of the Board of Directors of Vault Sentinel and Chair of the Board of Trustees at AuDHD UK.

He holds a bachelor's degree from the University of Portsmouth, has undertaken executive education at Cambridge and IMD, and is also an Honorary Fellow of the British Computer Society.



Nirmal Kotecha

Independent Non-Executive Director

Appointed as an Adviser to the Board in September 2024 and to the Board in March 2025

Relevant skills

- Expertise in leading client-side transformation in the procurement and safe delivery of multi-billion-pound capital projects and programmes.
- Promoting collaborative working at both an organisational, supply chain and industry level to improve the initiation and delivery of major projects

Relevant experience

Nirmal has over 30 years' experience with UK infrastructure clients in the roads, and regulated utility sectors (including gas, water and power). This includes 12 years as an Executive Director at UK Power Networks, where he was the Director of Capital Programme & Procurement, having joined from what was the Highways Agency, where he served on the Board as the Major Projects Director. Prior to that, he was at Anglian Water, where he developed the @One Alliance Model for delivering Anglian's major capital programme.

Nirmal is also Chair of the Major Projects Association and a past Chair of the Infrastructure Client Group.

He is a Fellow of both the Chartered Institution of Civil Engineers and the Chartered Institute of Purchasing Supply, and is an alumnus of the London Business School.

Directors who resigned during the year

The following people served on the Board during the year ended 31 March 2025:

Michael McNicholas

Resigned as a Non-Executive Director on 16 May 2024 (appointed in July 2019)

Jill Shedden

Resigned as an Independent Non-Executive Director on 30 September 2024 (appointed in October 2018)

John Holland-Kaye

Resigned as a Non-Executive Director on 31 December 2024 (appointed in April 2023)

Hannah Nixon

Resigned as an Independent Non-Executive Director on 3 March 2025 (appointed in January 2021)

Alastair Cochran

Resigned as Chief Financial Officer on 27 March 2025 (appointed in September 2021)

Governance at a glance

2025 at a glance

Highlights

Board changes

It has been a busy year for Board membership and composition, with five resignations and seven new appointments during the year (including Steve Buck on 7 April 2025). The new appointments largely reflect the key areas of focus for the Board during the year and looking forwards, including restructuring, transformation, IT and digital, and new construction and operations. The Nomination Committee also reflected these focus areas by adding turnaround and restructuring, as well as regulatory and political affairs skills, to the Board skills matrix (see opposite).

Board meetings

As previously mentioned in the Chairman's Statement, the Board held 29 meetings during the reporting period. Board members also attended deep dives and informal sessions for more in-depth discussions of matters including operational performance, leakage, asset health, customer metering, people, budget proposals, finance, liquidity and treasury. The attendance record across the page is testament to the commitment of the Board in helping the Company to navigate its many challenges over the year. Even when unable to attend a meeting, Directors have provided their comments on those matters being considered at the meeting for discussion with the Chairman and relevant Committee Chair, so that their contributions can be included in the considerations.

➔ For key Board activities and decisions for the reporting period, see page 59 of this Corporate Governance Report

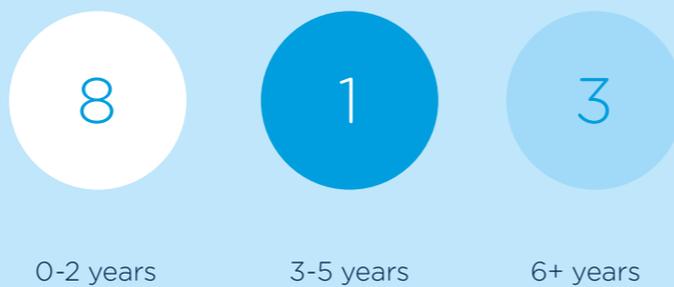


Board meetings 2024/2025



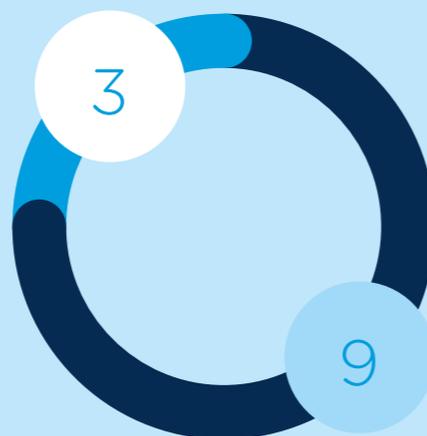
Board tenure

As at 31 March 2025



Board independence

As at 31 March 2025



● Non-independent
● Independent, including the Chairman

2025 Board attendance

	Meetings attended (including ad hoc meetings)
Sir Adrian Montague (Chairman)	29/29
Chris Weston (CEO)	29/29
Steve Buck (CFO) ¹	0/0
Alastair Cochran (CFO) ²	26/28
Nick Land (SID)	27/29
Catherine Lynn (INED and WELD)	29/29
Hannah Nixon (INED) ³	26/26
Ian Pearson (INED)	28/29
Jill Shedden (INED) ⁴	9/11
John Holland-Kaye (NED) ⁵	20/20
Aidan de Brunner (INED) ⁶	19/19
Neil Robson (INED) ⁷	15/17
Nirmal Kotecha (INED) ⁸	0/1
Adam Banks (INED) ⁹	1/1
Andrew McNaughton (INED) ¹⁰	1/1
Julian Gething (CRO) ¹¹	8/8
Michael McNicholas (NED) ¹²	0/0

1. Steve Buck was appointed to the Board on 7 April 2025
2. Alastair Cochran resigned from the Board on 27 March 2025
3. Hannah Nixon resigned from the Board on 3 March 2025
4. Jill Shedden resigned from the Board on 30 September 2024
5. John Holland-Kaye resigned from the Board on 31 December 2024
6. Aidan de Brunner was appointed to the Board on 1 September 2024
7. Neil Robson was appointed to the Board on 2 October 2024
8. Nirmal Kotecha was appointed to the Board on 28 March 2025
9. Adam Banks was appointed to the Board on 28 March 2025
10. Andrew McNaughton was appointed to the Board on 28 March 2025
11. Julian Gething was appointed as CRO on 20 December 2024 and to the Board on 22 January 2025
12. Michael McNicholas resigned from the Board on 16 May 2024

Director	Position	Experience		Finance		Customer	Technology	Resilience			Team			Environment			Regulatory and Political Affairs		
		UI- Utility industry or NO-Network operations	NO	ER PP	F			CS	TDS	CP	R	T	E	CCT	R	HS	E	S	CC
Chris Weston	CEO	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓				✓	✓
Steve Buck	CFO	✓	✓	✓	✓	✓		✓	✓	✓	✓		✓	✓				✓	✓
Julian Gething	CRO				✓			✓	✓	✓	✓		✓						
Sir Adrian Montague	Chair	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓					✓	✓
Nick Land	SID			✓	✓	✓	✓	✓				✓	✓					✓	✓
Aidan de Brunner	INED				✓	✓		✓	✓	✓	✓		✓	✓	✓	✓		✓	
Ian Pearson	INED	✓	✓	✓	✓							✓	✓		✓	✓	✓	✓	✓
Neil Robson	INED			✓	✓	✓		✓	✓	✓	✓	✓	✓					✓	
Adam Banks	INED					✓	✓		✓	✓	✓	✓	✓						
Andrew McNaughton	INED	✓	✓				✓	✓				✓	✓	✓	✓	✓		✓	✓
Catherine Lynn	INED	✓	✓	✓		✓	✓	✓				✓	✓					✓	✓
Nirmal Kotecha	INED	✓	✓			✓		✓	✓	✓	✓	✓	✓					✓	✓

Executive Team*



Esther Sharples

Chief Operating Officer

Appointed as Operations Director, London, in September 2023 and interim Chief Operating Officer in February 2024, becoming Chief Operating Officer in April 2024

Relevant skills

- Wealth of experience in managing vast and complex infrastructure
- Strong passion for making things better for customers

Relevant experience

Esther has 20 years of experience managing infrastructure across a number of sectors, including 16 years at Transport for London (TfL); prior to that, she held roles at Land Securities Trillium and the BBC.

During her time at TfL, Esther held positions as Director of Asset Operations and, most recently, as Director of Asset Performance Delivery, where she was responsible for the maintenance and renewals of assets across the London Underground.



David Bird

Retail and Transformation Director

Appointed as Retail Director in November 2022 and as Retail and Transformation Director in March 2025

Relevant skills

- Transforming business performance and changing culture in a wide range of markets
- Creating long-term sustainable growth through a focus on customers and building new propositions
- Re-engineering operations through the use of digital technologies
- Significant mergers and acquisitions experience
- A breadth of experience that will support the turnaround and transformation of Thames Water

Relevant experience

David spent his early career in a number of different customer-focused organisations. This includes Marks & Spencer, Bupa, Vodafone, Homebase and National Express. He then spent over a decade in the retail energy industry, as Managing Director of E.ON's UK residential business and then as CEO of Co-op Energy. After this, David was Chief Operating Officer at Biffa, which is the UK's leading waste management company.

He has held line-management responsibility for over 10,000 colleagues and has significant experience in using contracted workforces. David's experience is vast and varied, covering both regulated and non-regulated markets. He has worked in both fast-moving high technology industries and heavily unionised environments.

David has over 15 years' experience in non-executive director roles. This includes roles in the NHS, Department for Education and the Independent Police Complaints Commission. He is currently a Supervisory Board Member at Saur Group, which is a leading player in the global water market. Saur Group operates in over 20 countries, with a turnover in excess of €2 billion.



Catherine Green

People Director

Appointed in August 2023

Relevant skills

- Respected and influential HR leader who creates people agendas that deliver to business needs and provide an engaging experience for employees
- Proven ability in designing and delivering complex people strategies that positively impact and support the broader corporate agenda
- Wealth of experience in shaping and implementing organisational transformation programmes

Relevant experience

Catherine has an extensive international career as a senior HR professional, having worked in industries such as defence, financial services, maritime, aviation and low-carbon industry. Prior to joining Thames Water, Catherine worked as a senior executive for BP, supporting its Alternative Energy business (solar, biofuels and onshore wind energy) and new revenue streams (electric vehicle charging and new market entry). She also supported their executive functions, including the Group CFO.

Catherine passionately believes in the positive impact that big business can have on local communities and is proud of the work that Thames Water does to provide sustainable employment opportunities across London and the Thames Valley. She is also a key member of the Energy Institute's HR sub-committee and a Fellow of the Chartered Institute of Personnel and Development.



Cathryn Ross

Strategy and External Affairs Director

Appointed in June 2021

Relevant skills

- Experienced regulatory and competition economist
- Proven background in advising on economic regulatory and competition issues across a number of different sectors

Relevant experience

Cathryn was most recently the Group Regulatory Affairs Director at BT Group, responsible for developing and implementing regulatory strategy. Previously, she was the Chief Executive of Ofwat, where she successfully oversaw the delivery of a new strategy, focused on a vision for the sector of trust and confidence in water and wastewater services.

Prior to that, Cathryn was Executive Director of Markets and Economics at the Office of Rail Regulation (now the Office of Rail and Road), and Executive Director of Markets and Economics at Ofwat. She also served with the Competition Commission (now the Competition and Markets Authority) and has worked in economic consultancy.



Andy Fraiser

General Counsel and Company Secretary

Appointed in August 2023

Relevant skills

- Highly experienced lawyer
- Focus on advising public and private entities in the utilities and infrastructure sectors
- Expertise in facilitating transformation of the delivery of economic infrastructure through the use of private finance

Relevant experience

Andy was previously the Global Head of Project Finance and US Managing Partner at Ashurst LLP. Here, he developed one of the US's leading infrastructure practices.

Prior to that he was a partner at Allen & Overy LLP in London and New York. He is well known for advising on novel and/or complex situations in the infrastructure market that are typically of national or regional importance.

His work has twice been recognised by the Financial Times' North America Innovative Lawyer Awards. The Governor of the State of Maryland presented him with a medal for excellence in 2019.

Andy is admitted as a solicitor in England and Wales.



John Brocking

Chief Information Officer

Appointed Chief Technology Officer in March 2023 and Chief Information Officer in August 2023

Relevant skills

- Wealth of technology and IT experience across multiple sectors including banking and healthcare
- Passionate about information security, digital transformation and technology innovation

Relevant experience

John has over 20 years' experience working in technology and digital teams. He has worked across the consultancy, banking and private healthcare industries, including 10 years at Bupa. During this time, he established and led the Information Security and Architecture teams.

His appointment to the Executive team has strengthened digital's position as a key part of the delivery of our Turnaround Plan.

* The Executive Team also includes Chris Weston, Steve Buck and Julian Gething. See pages 53 and 54 for their biographies.

Board roles and responsibilities

Chairman

The Chairman leads the Board and is responsible for its effectiveness and for promoting high standards of corporate governance. He creates the conditions for the effective working of the Board and individual directors. The Chairman provides the Directors with the views of the Company's shareholders and other key stakeholders, as well as its duties concerning the Section 172 Companies' Act 2006. He sets the agenda and conduct of Board meetings, taking account of the concerns of all Directors and encouraging active engagement. He sees to it that Thames Water maintains effective communication with its key stakeholders. He supports and advises the CEO and leads the evaluation of the performance of the Board, its Committees and individual Directors.

Chief Executive Officer

The CEO is responsible for the day-to-day management of the Company's operations, and for recommending the business strategy, business plan and budget for approval by the Board. Together with the Executive team, he implements the decisions of the Board and its Committees. He is responsible for ensuring that the highest standards of health and safety and environmental protection are set, and for embedding a culture of customer service throughout the Company. He is also responsible for ensuring that effective business and financial controls and risk management processes are in place, for oversight of the current business transformation programme, and for compliance with all relevant laws and regulations. He oversees the appointment of senior managers and Executives and also oversees the succession-planning processes. He is supported by the Executive team and reports directly to the Board and its Chairman.

Chief Financial Officer

The CFO is responsible for planning, implementing, managing and controlling all financial-related activities of the Company. Together with the CEO, he develops and recommends the business plan and budget, and seeks to ensure that effective business and financial controls and risk-management processes are in place. Together with the rest of the Executive team, he develops the business strategy and implements the decisions of the Board and its Committees. The CFO is responsible for managing the Company's financial position, including the allocation and maintenance of capital, funding and liquidity.

Chief Restructuring Officer

The Chief Restructuring Officer is responsible for leading the development and implementation of the Company's financial restructuring plan and acts as a principal point of contact for creditors, regulators and Government agencies. As a Board member and part of the executive management team, the CRO works collaboratively with senior management to design and execute the restructuring strategy and maintains transparent communication on the financial restructuring process with the rest of the Board.

Company Secretary

In his role as Company Secretary, the General Counsel and Company Secretary is responsible for advising and supporting the Chairman and the Board on good corporate governance and best boardroom practice. All Directors have access to the advice of the General Counsel and Company Secretary at any time.

Senior Independent Director

The SID's role is to act as a sounding board for the Chairman and to serve as an intermediary for the Directors when necessary. The SID supports the Chairman in the delivery of his objectives and is available to shareholders to hear their views and address any concerns they may have that have not been resolved through the normal channels. The SID also acts as the conduit, as required, for the views of other Non-Executive Directors on the performance of the Chairman and also conducts the Chairman's annual performance evaluation. He is available to act as the Chair of Board and of Committee meetings if the Chairman or Committee Chair is unable to attend.

Independent Non-Executive Director

The INED's role is to constructively challenge management on matters such as the strategic direction of the Company. The INEDs bring independent advice, and review and challenge the performance of management and of individual Executive Directors. Each INED brings specific experience and knowledge to the Board and its Committees. The INEDs have a broad and complementary set of technical skills, educational and professional experience, personalities, cultures and perspectives. Their contributions provide independent views on matters of strategy, performance, risk, conduct and culture.

Non-Executive (Investor) Director

Investor Directors are NEDs who are nominated and appointed by the Company's external shareholders. They are not considered to be independent. Investor Directors assist the Board in ensuring that shareholders' views are considered in Board decision making and there is a shareholder voice in the boardroom. They provide strong experience and constructively challenge and monitor the performance and delivery of the strategy by the Board.

The Board has not had any Investor Directors since 1 January 2025.

Workforce Engagement Lead Director

The WELD is responsible for bringing the views and experiences of the Company's colleagues into the boardroom. Working with the Board and particularly with management, the WELD takes reasonable steps to evaluate the impacts of Board proposals and developments on colleagues. The WELD engages with management regarding colleague engagement and steps taken to address colleague concerns arising out of business-as-usual activities. Colleagues' views on remuneration concerns, including their views on executive remuneration as appropriate, are reported to the Remuneration Committee by the WELD. The WELD reports to the Board on activities undertaken and feedback received, as well as presenting the annual update for inclusion in the Company's Annual Report and Accounts.

Board Committees

The Board is supported by eight Committees, each of which makes recommendations on matters that require the Board's approval. The Committees' Terms of Reference are published on the Thames Water website. They can be found here:

[→ Our Board | Governance and Legal | About Us | Thames Water](#)

The Committees may engage independent professional advisers and they can also call upon other Group resources to assist them in their duties. The composition of the Board Committees can be found at the beginning of each Committee's Report.

Executive Team

The Board delegates the execution of the Company's strategy and day-to-day financial, operational and regulatory decisions to the CEO, supported by the Executive team, through a Schedule of Delegated Authority, in line with established risk management frameworks, compliance policies, internal control systems and reporting requirements. The Board receives a monthly report on safety, financial and operational performance throughout the year, so it can satisfy itself that the Executive team is managing the business in line with the strategic objectives and targets set.

The Executive team's biographies can be found on page 56.

Board composition

Board composition

The Board is accountable to its stakeholders for setting the strategy of the Company and ensuring that it aligns with the Company's Purpose and values to promote its long-term success. The Board is responsible for the oversight of the Executive Directors, governance, internal controls, risk management, strategy, culture and the overall performance of the Company. It implements decisions by deliberately balancing the interests of various stakeholders, including investors, customers, employees, regulators, the environment and suppliers.

As at the date of publication of this Report, the Board consists of the Chairman, CEO, CFO, CRO and eight independent Non-Executive Directors. The Board has formally documented the separate roles and responsibilities of the Chairman and CEO.

As part of the Board succession-planning process, the Nomination Committee reviews a record of the Independent Non-Executive Director and Executive Director skills matrix. This review enables the Board to confirm that each Director possesses the requisite skills, knowledge and experience to provide constructive feedback, challenge the Company's strategic direction and effectively scrutinise the Company's performance.

Directors' skills and experience

An effective Board requires the right mix of skills and experience. Individual Director's skills and experience can be seen from their biographies on pages 53, 54 and 55.

The skills matrix is reviewed by the Nomination Committee to verify that the right balance of skills and experience is established to enable the effective oversight of the Company and the execution of our strategy. More on the process of the Nomination Committee Board skills review can be found on page 66 of the Nomination Committee Report.

Board diversity

More information on the composition and skills of the Board can be found on page 55 and information on the roles and responsibilities of the Board can be found on page 57.

Director independence

The Board is satisfied that during the year and up to the date of this Report, the eight current INEDs were independent. In addition, the Chairman was independent on appointment.

Appointments

Appointments to the Board follow a formal and transparent procedure. Directors are appointed following their recommendation by the Nomination Committee and subsequent approval from the Board. INEDs are appointed on merit. Candidates are considered for appointment as INEDs from a wide and diverse pool and are evaluated according to the combination of skills, experience, independence, and knowledge that the Board requires collectively to be effective. This includes, but is not restricted to, gender, disability, race, religion or belief, age, sexual orientation and social, cognitive and personal strengths.

INEDs are appointed for an initial term of three years, with the expectation that they will continue for at least a second three-year period. The Chairman and INEDs have letters of appointment with the Company, which set out their role and duties, the expected time commitment, their fees and the requirement to declare any conflicts of interest.

Ahead of formal Board appointments, Directors have a pre-appointment meeting with Ofwat, which provides them with the opportunity to share insights on the challenges and opportunities facing the water industry.

Matters reserved for the Board

The Board has a formally documented schedule of matters that are reserved for the Board's approval. This includes decisions concerning the Company's strategic and business plans, the structure and capital of the Company, financial reporting and controls, Board membership and other appointments, remuneration policy and various regulatory matters.

Induction

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

The induction programme covers several governance-related areas, which are listed below:

- Directors & Officers Insurance Certificate, as well as a D&O overview
- Company Committee composition and membership
- Schedule of Matters Reserved to the Board
- Committee Terms of Reference
- Board Diversity Policy
- Corporate structure chart
- Articles of Association
- Ofwat Board Leadership, Transparency and Governance Principles
- UK Corporate Governance Code

Training and professional development

The Directors received several deep dives and technical sessions to remain up to date with key developments across the business and the wider sector.

All Directors have access to professional development, provided by external bodies and our advisers when needed.

The CEO and CFO complete the internal mandatory training courses and Competition training. The INEDs complete the Competition training. Additional voluntary modules are available on 'Keeping Thames Secure' and 'Vulnerability Thames Water'.

Directors and their other interests

Prior to the appointment and throughout their directorship, all Directors are required to disclose to the Board their other significant commitments, to ensure that there are no matters that would prevent the Director from taking on the appointment or would impact their judgement. In accordance with the Companies Act 2006, all Directors are also required to advise the Company Secretary

of any actual or potential conflicts of interest as soon as they arise, so they can be considered by the Board.

At each meeting, the Board considers the Directors' conflicts of interest. Any Director with a potential conflict of interest relating to a specific matter that is being considered by the Board or by one of its Committees must recuse themselves from the relevant meeting while the item is discussed and may not vote on the matter. If the Chairman faces such conflict, he must recuse himself, and the Deputy Chairman will assume the role of the Chairman for the discussion.

During the year, no Director declared any material interest in any contract of significance with the Company or in any of its subsidiary undertakings.

Board succession

The Board appointments are conducted by the Nomination Committee, but the Board Chairman may also provide input when considering the technical skill set required for any new INED. Where the Company employs an independent third-party search firm to identify potential candidates, the Nomination Committee considers the candidate profiles, their previous roles and experience. The Nomination Committee will work with the search firm to pipeline diverse candidates with the requisite skill sets needed for a balanced Board and to support the business.

In assessing succession for the Executive Directors, the Company's People Director provides an update on internal talent mapping and individual readiness. This is provided to the Nominations Committee for consideration.

In addition, at the CEO's pre-meetings ahead of Board meetings with both the Chairman and the INEDs, there are discussions on ensuring that the leadership team remains effective. However, whilst this year's Board Effectiveness Review highlights that the CEO is addressing executive succession planning, this is still regarded as an area on which to build.

Board activities and decisions

Governance

The Board has a forward plan for its standard meetings, which includes updates on strategy, people and health, safety and wellbeing, environment, regulation, operations and turnaround, finance, risk, restructuring and any other business-related matters required to be considered.

Executive reports such as those from the CEO, CFO, COO, Retail and Transformation Director and Strategy and External Affairs Director (including in her capacity as Environmental Oversight Officer (see Environmental below)) are standard Board agenda items that provide the Board with key updates on day-to-day performance, operations, turnaround and finance. To provide the Board with visibility and an understanding of key business issues, the Executive team members and their leadership teams regularly attend Board meetings. The Board, when required, also holds separate meetings to discuss relevant matters without the Executive Directors being present. The involvement of the Executive team members in the Board, and having an 'Accountable Executive' assigned to each Committee, strengthens the relationship between the Board and the Executive team, as well as helping to provide the Board with a deeper understanding of operations and strategic objectives, along with any challenges in delivering such objectives. The Board receives updates from each Board Committee Chair on the proceedings of the previous Committee meeting, which include that Committee's key decisions and considerations. The approved Committee minutes are accessible for all the Board members via the Board portal. Private companies are generally not legally required to hold an Annual General Meeting (AGM). However, as part of good governance, TWUL held an AGM in September 2024.

Strategy

In March, the Board held its annual Strategy Day. This took place at Fobney water treatment works and was preceded by a site tour. The Strategy Day itself began with some high-level context on the landscape with in which Thames Water is currently operating, focusing on what our customers and stakeholders want, and included an outline of our customer service strategy. The bulk of the time on the day itself was spent with the teams presenting the water and waste water strategies. The day concluded with reflections and a wrap-up focusing on the external enablers of our strategies, linking back to the ongoing National Audit Office review, the Cunliffe Commission and the potential for legislative and policy change.

People

The Board received comprehensive Board workforce engagement updates provided by the WELD (Ian Pearson, followed by Catherine Lynn).

Health, safety and wellbeing is a standing item at each scheduled Board meeting and is the first business item on the agenda.

The Board approved the Company's Modern Slavery Statement for 2024/25 in June 2024.

Environment

The Board also considered environmental matters throughout the year, including pollution incidents. It considered and approved the proposed mitigation strategy in relation to its environmental obligations, particularly under WINEP 7, as well as the proposed approach for delivering environmental improvement and compliance resilience at Oxford Sewage Treatment Works.

To reiterate the importance that the Board places on environmental matters, it was proposed and approved that it create the role of and appoint an Environmental Oversight Officer (EOO) who presents an Environmental Oversight Report (EOR) to the Executive Committee and the Board on a quarterly basis (now a monthly basis).

The EOR is presented to the Board immediately following the Health, Safety and Wellbeing Report, highlighting the importance that the Board attaches to this element of the business.

Ofwat Price Review (PR24)

The Board received frequent updates on PR24 throughout the reporting period and endorsed the Company's PR24 Draft Determination (DD) response to Ofwat in August 2024. As part of a number of updates, the representatives from the Customer Challenge Group (CCG) attended the Board meeting to present their views and challenges on the DD, for the Board to understand the impact of it on customers.

The PR24 Final Determination (FD) was received, and a detailed review was provided to the Board for a deep-dive discussion in January 2025. After thorough consideration of the various options presented, the Board has decided to refer the FD to the Competition and Markets Authority (CMA) in the interests of the Company's stakeholders, specifically its customers and the environment. As has been widely reported, the Company since agreed with Ofwat that it would defer submission of its Statement of Case to allow for further discussions on the FD in the context of the Company's recapitalisation.

Operations and Turnaround

Operational performance is a standing item on the Board agenda, with the COO in attendance. This provides an additional layer of governance to the role of the Operational Oversight and Turnaround Committee. This includes monitoring, understanding and challenging the performance of the Company's key assets, which, in turn, also allows the Board to be sufficiently informed to be able to make decisions on key capital projects. To deliver performance improvements, it is necessary to invest in projects behind existing infrastructure and new long-term projects to protect water supplies for the future.

During the year, the Board considered the direction and proposed development of the South East Strategic Reservoir Option (SESRO), which forms a critical component of the Company's Water Resources Management Plan (WRMP). In July 2024, the Board approved the acquisition of land south of its Reading sewage treatment works, in order to address a business need for future expansion to assist with reaching industrial emissions standards. In December 2024, the Board approved funding for the London Mains Rehabilitation AMP8 Year 1 programme, in order to address improvements to existing infrastructure.

In October 2024, the Board approved the incorporation of the Turnaround Committee into the Operational Oversight Committee and renamed it the Operational Oversight and Turnaround Committee. This reflects the close inter-relationship between operational performance and the Turnaround.

Turnaround performance is also a standing item at Board meetings, given its importance to the sustainable viability of the Company. This also provided additional and important context to the Board's deliberations and decisions regarding PR24 and a deferral of the Statement of Case, as well as the overall restructuring strategy.

In addition, the Board believes that interactions with the independent monitor assigned by Ofwat to report on the progress of the Company against its transformation plans and restructuring have assisted the Company in building a stronger relationship with the regulator, and that it understands the Company's broader transformation plan.

Restructuring

The Board placed significant focus on restructuring over the year, with many of the non-scheduled meetings being convened to address this issue. In addition to appointing a CRO to the Board in January 2025 to provide the Company with additional resource capacity as it continued with its proposed restructuring, the Board established the Restructuring Committee in August 2024, with the primary responsibility being to monitor and maintain governance over the Company's financial and operational stability. The Restructuring Committee is chaired by the Chairman of the Board and has four INEDs and the CRO as members. Aidan de Brunner and Neil Robson were appointed as INEDs to the Board (and the Restructuring Committee) in order to bring additional INED restructuring expertise. The Restructuring Committee met 22 times from August 2024 to the end of March 2025.

The Board made a series of key decisions and considerations during the reporting period that were intended to stabilise the business and, while doing so, the Board considered various stakeholders, including creditors, employees, suppliers, and customers, as well as the environment. The Company has secured court approval for an emergency funding package.

As progress towards an equity recapitalisation developed, the Board established an Equity Raise Sub-committee in February 2025. The Sub-committee was made up of the Chairman of the Board and three INEDs, and was established to manage and provide oversight and governance of the equity-raising strategy of the Company, including making recommendations to the Board in respect of bids.

On 31 March 2025, the Company announced that it had selected KKR to enter the second phase of the diligence process as its preferred partner. In parallel, certain senior creditors progressed work on an alternative proposal to recapitalise the Company. Following this announcement, the Company facilitated material and confirmatory diligence by KKR and the senior creditors who were progressing the creditor-led proposal. Following the completion of this diligence process, the Company announced on 3 June 2025 that KKR had indicated that it would not be in a position to proceed with the equity raise process, and, therefore, that its preferred partner status had lapsed. In addition, the Company announced that it intended to progress discussions on the senior creditors' plan with Ofwat and other stakeholders.

The Board remains focused on delivering the Company's recapitalisation transaction as soon as is practicable, and discussions with the relevant stakeholders to assess and evolve proposals are ongoing. The Board's goal is to achieve a solution that delivers a long-term and sustainable transformation of Thames Water, supported by sufficient equity investment and a balance sheet that is capable of receiving a strong investment-grade rating and one that has the support of our relevant stakeholders.

Board engagement with stakeholders

Transforming through engagement

Policy-makers and elected representatives

Board engagement

Over the course of the year, the CEO and Chairman engaged in the following activities:

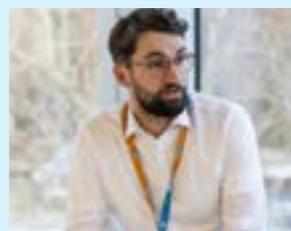
- Met with Government ministers from both the previous and the current Government to discuss the Company’s performance and future plans.
- Engaged with regulators and Government officials on our recapitalisation process.
- Oversaw appropriate compliance and lines of reporting in relation to the new measures introduced as part of the Water (Special Measures) Act.
- The CEO attended a roundtable discussion hosted by the London Mayor, Sir Sadiq Khan, to discuss river health in the capital, as well as meeting the Deputy Mayor for Environment and Energy, Mete Coban.
- The CEO hosted a visit to Oxford sewage treatment works by Sir Jon Cunliffe, Chair of the Independent Water Commission, as part of its review into the water regulatory system.



Outcome

- Feedback from policy-makers and elected representatives helps us understand whether we are meeting stakeholders’ expectations in the communities that we serve. It also keeps us close to changes in policy that affect the regulatory environment with in which we operate.
- Feedback on key decisions impacting the Company helps policy-makers and regulators to make informed decisions.

Investors



Board engagement

- Providing information through our annual reports, investor presentations, statements and public regulatory announcements.
- Engagement with investors, including through CEO/CFO/CRO engagement with our current and prospective investors as part of the Company’s continued efforts to extend our liquidity runway through the court-sanctioned restructuring plan, and on the wider recapitalisation process.

Outcome

- Access to up to £3 billion of new money and a two-year deferral of our existing debt maturities enabled us to maintain a liquidity pathway as part of the first phase of the recapitalisation plan.
- A creditor-led recapitalisation plan was submitted to Ofwat in May 2025, following the completion of the due diligence process and proposals from multiple potential investors in respect of the equity raise process launched by the Company during FY24.
- Agreement with Ofwat on an 18-week deferral, until July 2025, of the referral of the Final Determination to the Competition and Markets Authority.

Regulators

Board engagement

- Chairman and CEO attendance at annual Ofwat and Environment Agency performance meetings.
- Regular Chairman to-Chairman and CEO to-CEO engagement with Ofwat and the Environment Agency, and CEO to-Defra engagement.
- Chairman, CEO and CFO attendance at (approximately) monthly multi-lateral meetings with Defra, Ofwat, EA, His Majesty’s Treasury and UK Government Investments.
- Extensive Ofwat engagement by the CEO and CFO throughout the PR24 price review, including on the Draft Determination responses, the implications of the Final Determination and our request to Ofwat to defer its referral of the Final Determination to the CMA.



Outcome

- Improved understanding by the Government and our regulators (and their advisors) of our turnaround priorities and progress, the funding needs of the business, and our approach to the financial restructuring of the business.



Customers

Board engagement

- The CEO attended three Customer Challenge Group (CCG) meetings throughout the year, engaging with the members to better understand customers’ immediate and longer-term expectations of the Company and of the Board.
- The CCG Chair is invited to all of the Committee’s meetings and contributes by giving her feedback regularly. Prior to the December 2024 meeting, she circulated the CCG annual report, providing an update on the CCG’s activities over the year, and presented it at the meeting.
- The Chairman and the Board were delighted to host the CCG Chair and Vice Chair, who attended the Board meeting on 20 August 2024.
- The CCG minutes and the Annual Report were shared with the Board to provide insight into the discussions and challenges raised.
- The Chair of the Customer Service Committee attended a number of deep-dive sessions on the Company’s principal risk dashboards.

Outcome

- Through insight and engagement with the CCG, the Board gained a better understanding of the views of the customers, in order to look to that the business plan aligns with their needs and priorities.

Board workforce engagement



Our colleagues remain incredibly resilient, and are incredibly proud to work for Thames Water delivering life's essential service."

2024-2025 Statement from Catherine Lynn

In September, I took over from Ian Pearson as the Workforce Engagement Lead Director and I have to say what a privilege it has been. This year, Ian and I have met with 120 colleagues across many areas of our business.

Sitting down with our teams, I have been struck by how open, honest and straightforward our people are, but most of all by how passionate these colleagues are about their role, the impact they have on customers and the environment, and about Thames Water as a whole.

People have been positive across the board, but they do struggle sometimes with the level of bureaucracy and red tape that they have to go through just to get something fixed. That's something I have fed back to the Executive team and the Board.

Like Ian said last year, there's a level of frustration with how we're portrayed in the media, when they know how hard they are trying to deliver and when they see so many great things happening in the organisation. We continue to try and put more of the success stories out there. The BBC's 'fly on the wall' documentary has helped with that.

Since our last Annual Report, we have seen Chris Weston's impact being felt and he is seen as an open, honest and trusted leader, which is great to see.

People in our business at all levels are under a lot of pressure. Morale is as good as might be expected, given our circumstances. Our colleagues remain incredibly resilient and are incredibly proud to work for Thames Water in delivering life's essential service.

I have thoroughly enjoyed meeting so many colleagues across the business, and seeing what they are doing, day in and day out, to deliver for customers and our environment and to improve our performance. I am looking forward to the year ahead and to listening, learning and being inspired by what our people do.

Catherine Lynn
Workforce Engagement Lead Director

Board workforce engagement in action



Board engagement through colleague forums

Throughout the year, Ian Pearson and Catherine Lynn have spent time visiting sites, meeting people and listening to what's important to them. These are a mix of face-to-face and virtual visits and meetings.

120 people
with whom Ian and Catherine have had conversations over the year



Virtual town halls with leadership

Chris and our Executive team held a number of open 'Ask the Exec' sessions, attended by people across the business. Thousands of people watched the sessions live – and thousands more watch them 'on demand' later, at a time that suits them. These quarterly sessions give our colleagues the opportunity to ask our Executive team any questions that are on their minds.

3,000 people
watched the sessions each time. The Executive team get through around a dozen questions in person and answer the rest on our Intranet later.



Senior leader listening sessions

Leading up to our annual Senior Leader meeting (of approximately 50 people), we asked our leaders to hold listening sessions with up to 20 people in their teams. The objective was to understand what were the hot topics on people's minds, what was working and what needed fixing.

1,000 people
50 sessions

As a result of what these leaders heard, we made changes to our expenses policy, our delegated authorities and our Christmas celebration arrangements, among other things.

CEO site visits

Throughout the year, Chris has visited a number of our sites – talking to our teams, understanding the issues, understanding how the sites work and what could be done differently.

21 sites

Including water treatment works, waste treatment works, pumping stations, reservoirs and with field teams.



Operational Oversight and Turnaround Committee Report



Nirmal Kotecha
Chair of the Operational Oversight and Turnaround Committee

Role of the Committee:

The main objective of the Committee is the provision of oversight and effective governance over:

- Operational performance across the Company;
- Environmental performance;
- Drinking water quality;
- Pollution, flooding and leakage incidents; and
- Compliance with relevant statutory and regulatory obligations.

NEW



The Committee has continued to increase its oversight of the Company’s operations and turnaround, following the establishment of a new Asset Operations and Capital Delivery operating model and the merger of the former Operational Oversight Committee and Turnaround Committee.”

Nirmal Kotecha
Chair of the Operational Oversight and Turnaround Committee

Other Committee members:



Catherine Lynn



Andrew McNaughton

Dear Stakeholder,

I am pleased to present the Operational Oversight and Turnaround Committee Report. Following its establishment during the last reporting period, the Committee has continued to monitor operational performance closely across the Company, with particular focus on leakage and pollution incidents. During the year, it also took on the responsibilities of the former Turnaround Committee and continued reviewing the progress of the implementation and delivery of the Turnaround Plan on behalf of the Board.

John Holland-Kaye became Chair of the Committee upon Michael McNicholas stepping down from the Board, and continued in office until he, too, stepped down. On behalf of the Committee, I would like to thank John and Michael for their contributions to the Committee.

Andrew McNaughton and I have recently joined the Committee, and I look forward to leading the Committee through what is anticipated to be another year of key operational deliverables and significant change for the business.

Nirmal Kotecha
Chair of the Operational Oversight and Turnaround Committee
15 July 2025

Membership and attendance:

As at 15 July 2025, the Committee was made up of three Independent Non-Executive Directors. The Board’s Chair, the CEO and the COO attend by invitation, as required. Other attendees are invited at the request of the Committee. The Company Secretary or their nominee acts as secretary to the Committee.

Following the resignation of Michael McNicholas, John Holland-Kaye took on the role of Chair and, following his resignation, Nirmal Kotecha was appointed as Chair.

During the year, the former Operational Oversight Committee took over responsibility for the previous role of the former Turnaround Committee and was renamed the Operational Oversight and Turnaround Committee by the Board in October 2024. Following a review, it was concluded that the existing Terms of Reference for the Operational Oversight Committee were broad enough to allow this Committee to undertake broader scrutiny over the turnaround delivery as a whole.

The Committee met three times over the reporting period.

Committee activities during the year:

At its meetings this reporting year, the Committee considered and discussed:

- A new Asset Operations and Capital Delivery operating model;
- Operational performance, including:

- Turnaround Plan;
 - Environmental issues;
 - Customers;
 - Water quality; and
 - Waste water.
- Capital delivery performance, including the review of an internal audit report on capital delivery;
 - Asset Management Strategy and AMP8 planning and readiness;
 - The capabilities and deliverables of the new capital investment Portfolio Management Office; and
 - Relevant principal risks.

Key actions from this year:

- The former Operational Oversight Committee took over additional responsibility for the previous role of the Turnaround Committee;
- Operational oversight increased as a result of the new Asset Operations and Capital Delivery operating model;
- Oversight of the delivery of the Turnaround Plan; and
- Leakage and pollutions remained key areas of focus.

Priorities for next year:

- Continued drive to deliver the Turnaround Plan;
- Operational delivery pursuant to the new Asset Operations and Capital Delivery operating model; and
- Oversight of the Company’s accelerated capital delivery programme.

	June 24	September 24	December 24	Total Standard Meetings
Operational Oversight and Turnaround Committee (formerly the Operational Oversight Committee*)	Standard	Standard	Standard	
Catherine Lynn	✓	✓	✓	3
John Holland-Kaye <small>Resigned from the Board on 31 December 2024</small>	✓	✓	✓	3
Hannah Nixon <small>Resigned from the Board on 3 March 2025</small>	✓	✓	✓	3
Michael McNicholas <small>Resigned from the Board on 16 May 2024</small>	●	●	●	0
Nirmal Kotecha <small>Appointed on 28 March 2025</small>	●	●	●	0
Andrew McNaughton <small>Appointed on 28 March 2025</small>	●	●	●	0

✓ Attendance ✗ Apologies ● Not a Committee Member at that Date

* The Turnaround Committee incorporated by approval of the Board on 2 October 2024

Customer Service Committee Report



Catherine Lynn
Chair of the Customer Service Committee

Role of the Committee:

The Committee has primary responsibility to provide assurance, governance, support and challenge on delivering better outcomes for customers, including households, businesses and developers. The role of the Committee encompasses the following areas but is not limited to them:

- Customer strategy and performance;
- Reviewing the development of the customer strategy so that it reflects the challenges faced by the Company, now and in the future;
- How we are embedding ‘customer obsession’ within the Company;
- Reviewing and recommending how we can achieve the Company’s goals for customers;
- Reviewing the customer communication strategy, including channels for communication and consultation processes on strategic projects;
- Advising the Board on key issues, proposals for improvements and policy changes; and
- Reviewing the current Company position and performance against regulatory commitments, industry comparators and external best practice in other companies.

Other Committee members:



Adam Banks



Nick Land



The Customer Service Committee helps to shape the future of Thames Water through understanding and representing the voice of its customers.”

Catherine Lynn
Chair of the Customer Service Committee

Key actions from this year:

- Making recommendations so that customers remain at the heart of the business’s decision making during the PR24 process; and
- Improving our overall performance in relation to customer complaints.

Priorities for next year:

- Providing access to support for customers who need it;
- Identification of customers who qualify for inclusion on the Priority Services Register;
- Continued learning and improvements for customers when things go wrong;
- Making Thames Water easy for our customers to deal with through the implementation of new service strategy to improve customer experience;
- Reviewing the operating model for delivery of the service strategy; and
- Accelerating the smart metering programme to improve billing accuracy and support the identification of customer-side leakage.

Dear Stakeholder,

It is my pleasure to present the Customer Service Committee Report. As the Company went through another year of turnaround, it continued to work with Sukhvinder Kaur-Stubbs, Chair of the Customer Challenge Group (CCG), to give high priority to our customers and our customer strategy. The Committee remains focused on looking at ways to improve customer service levels and engagement with customers as the Company moves forward.

The CCG constructively challenged the Committee throughout the year on its decisions and accountabilities, and, together, we are dedicated to focusing on supporting customers by making sure that their voice is heard through everything we do at Thames Water.

Jill Shedden and John Holland-Kaye both stepped down during the year. On behalf of the Committee, I would like to thank Jill and John for their contributions to the Committee. Adam Banks has recently joined the Committee and I look forward to working with him and Nick to further develop customer service strategies and support the Company in its objectives towards supporting its customers.

Catherine Lynn
Chair of the Customer Service Committee
15 July 2025

Membership and attendance:

As at 15 July 2025, the Committee was made up of three INEDs. The Board Chair, CEO, Retail and Transformation Director, Customer Services Director, Customer Strategy Director and Operations Director are standing attendees. During the year, it was agreed that the Committee would benefit from the attendance of the Chair of

the CCG, who has attended since the December meeting. Other attendees are invited at the request of the Committee. The Company Secretary or their nominee acts as secretary to the Committee.

Committee activities during the year:

During the year, the Committee received and discussed updates on customer service performance and the delivery of the services strategy, including specific updates in relation to:

- Non-Household Customer Service, including service performance focusing on holistic, market and operational performance, retailer relationships, regulatory developments and market developments;
- Household Customer Service, including customer service KPIs, complaints performance and complaints turnaround activities, billing performance and financial support for customers in financial difficulties;
- The Service Operating Model and Outsource Supplier Strategy;
- The Customer Service IT Systems, focusing on our systems estate, customer data and GDPR, cyber risk, and future investment plans;
- Customer Challenge Group (CCG) activities, highlighting key learnings and performance areas from 2024 and forward-planning for 2025;
- The roll-out of the smart metering programme, including a review of 2024 performance, the 2025 delivery plan and PR24 planning;
- The Customer Service Strategy, setting the strategic direction for customer service; and
- A review of customer-related principal risks.

	March 24	June 24	December 24	Total Standard Meetings
Customer Service Committee	Standard	Standard	Standard	
Catherine Lynn	✓	✓	✓	3
John Holland-Kaye <small>Resigned from the Board on 31 December 2024</small>	✓	✓	✓	3
Nick Land	✓	✓	✓	3
Jill Shedden <small>Resigned from the Board on 30 September 2024</small>	✓	✓	●	2
Adam Banks <small>Appointed on 28 March 2025</small>	●	●	●	0

✓ Attendance
✗ Apologies
● Not a Committee Member at that Date

Regulatory Strategy Committee Report



Ian Pearson
Chair of the Regulatory Strategy Committee

Role of the Committee:

The Committee is responsible for advising the Board on regulatory matters linked to the corporate strategy and reviewing any matters of significance affecting current and future strategy and regulatory business planning matters, along with the application of appropriate policies and practices.

The Committee also:

- Considers the future regulatory challenges to the business and how such matters define the long-term corporate strategy;
- Reviews and challenges the business planning process and assumptions in respect of regulatory business plans, as part of price control processes;
- Considers and has oversight of regulatory matters more broadly than the price control submission process, such as regulatory policy changes, investigations and relationships; and
- Has specific oversight of the regulatory price control submission process.

Key actions from this year:

- Maintaining oversight of the 2024 Price Review (PR24) process and the Company’s response to Ofwat’s Draft and Final Determinations, along with making recommendations to the Executive team and the Board.

Other Committee members:



Aidan de Brunner



Sir Adrian Montague

Dear Stakeholder,

I am pleased to present the Regulatory Strategy Committee Report. During the reporting year, the PR24 and Draft and Final Determinations have been an important focus for the Committee. Hannah Nixon continued in the office as Chair until she stepped down as a member of the Board.

Ian Pearson

Chair of the Regulatory Strategy Committee
15 July 2025



A key focus for the year was the consideration of Thames Water’s response to Ofwat’s PR24 Draft Determination and the review of Ofwat’s Final Determination, published in December 2024.”

Ian Pearson

Chair of the Regulatory Strategy Committee

Priorities for next year:

- During 2025/26, the Committee expects to maintain strong oversight of the Company’s approach to delivering PR24, any developments relevant to the Final Determination and any Competition and Markets Authority (CMA) appeal, as well as the Company’s early preparations for PR29. In addition, the Committee is anticipating that it will place significant focus on reviewing the output and possible implications of the Independent Water Commission review, led by Sir Jon Cunliffe.

Membership and attendance:

As at 15 July 2025, the Committee was made up of the Board Chairman and two Independent Non-Executive Directors. The Strategy and External Affairs Director and senior management team members also attend the meetings. When appropriate, the CEO and the CFO, other Company employees and third-party advisers are invited to attend. The Company Secretary or their nominee acts as a secretary to the Committee.

Michael McNicholas, John Holland-Kaye and Hannah Nixon stepped down from the Board and the Committee on 16 May 2024, 31 December 2024 and 3 March 2025, respectively. The Committee members would like to thank Michael, John and Hannah for their contributions to the Committee. Following Hannah’s departure, Ian Pearson became the Chair of the Committee. Aidan de Brunner has been appointed as a member of the Committee.

The Committee met four times during the year.

Committee activities during the year:

During the year, the PR24 was a particular area of focus for the Committee. The Committee considered and held detailed discussions on Ofwat’s PR24 Draft Determination (DD), the Company’s response to it and Ofwat’s Final Determination (FD).

In addition, the Committee also discussed, amongst other things:

- The management of regulatory compliance and reporting risk (and year-end preparedness) and progress in delivering the Company’s Turnaround Plan, with a particular focus on the compliance workstream;
- Section 19 undertakings related to the Company’s credit ratings and leakage, and Ofwat’s decision to release the Company from Competition Act and Water Industry Act undertakings;

- The Water (Special Measures) Act, the National Audit Office value-for-money assessment on the effectiveness of regulation in the water sector, and the Independent Water Commission, led by Sir Jon Cunliffe;
- Ofwat’s annual Water Company Performance Report (WCPR), its Managing Financial Resilience Report (MFR) and its executive pay assessment;
- The London Water Improvement and Water Supply System Resilience Programme Conditional Allowances;
- Industry enforcement cases, including other companies reporting of leakage and per capita consumption, and a range of customer disputes escalated to Ofwat;
- Ofwat and Environment Agency investigations relating to the Company’s management of its sewage treatment works, and Ofwat’s enforcement order and financial penalty in relation to this matter;
- Ofwat’s decision to impose a financial penalty on the Company as a result of its alleged contravention of Condition P30, relating to dividends declared in FY24;
- SESRO and Teddington Direct River Abstraction Strategic Project Resource Options;
- Review of responses to regulatory consultations, including the CMA’s consultation on the rules and guidance for conducting water redetermination references; and
- A review of relevant principal risks.

The Committee reviewed and recommended to the Board its Terms of Reference.

The Committee looks forward to continuing to contribute to the ongoing development of the Company’s longer-term strategy, as the Executive team continues to progress delivery of the Company’s transformation roadmap to 2030 so that it can consistently deliver within its means across AMP8.

	June 24	October 24	December 24	March 25	Total Standard Meetings
Regulatory Strategy Committee	Standard	Standard	Standard	Standard	
Hannah Nixon Resigned from the Board on 3 March 2025	✓	✓	✓	●	3
John Holland-Kaye Resigned from the Board on 31 December 2024	✓	✓	✓	●	3
Sir Adrian Montague	✓	✓	✓	✓	4
Ian Pearson	✓	✓	✓	✓	4
Michael McNicholas Resigned from the Board on 16 May 2024	✓	✓	●	●	2
Aidan de Brunner Appointed on 14 March 2025	●	●	●	✓	1

✓ Attendance
✗ Apologies
● Not a Committee Member at that Date

Health, Safety, Environment and Sustainability Committee Report*



Andrew McNaughton
Chair of the Health, Safety, Environment and Sustainability Committee

Role of the Committee:

The objective of the Committee is the provision of oversight and effective governance over:

- Health, safety and wellbeing across the Company; and
- The Company’s sustainability strategy and its implementation in line with the Purpose, values and strategy of the Company, and performance against that, including broader stakeholder and employee engagement to address:
 - biodiversity impact and progress;
 - climate adaptation and net zero carbon ambitions, targets and compliance;
 - compliance with relevant health and safety statutory and regulatory obligations;
 - environmental strategy; and
 - vulnerability strategy.

Other Committee members:



Catherine Lynn



Nick Land



Nirmal Kotecha



The Committee has focused on its support of the regular promotion of health and safety across the business, so that it is uppermost in colleagues’ minds every day that they think ahead and prevent accidents.”

Andrew McNaughton
Chair of the Health, Safety, Environment and Sustainability Committee

Key actions from this year:

- Development of health, safety and wellbeing reporting;
- Review of a safety culture survey;
- Update on the sludge management and digester programme delivery plans; and
- Preparation for reporting on the Taskforce on Nature-related Financial Disclosures.

Priorities for next year:

- Health, safety and wellbeing of employees and contractors, with accelerated capital roll-out;
- Development of health and safety processes;
- Site visits; and
- Continued review of critical assets.

Dear Stakeholder,

It is my pleasure to present the Health, Safety, Environment and Sustainability Committee Report. During another year of challenges as it progressed its turnaround, the Company continued to give high priority to the promotion of colleagues’ health and safety, and to consider those matters related to the environment and sustainability.

John Holland-Kaye continued in office as Chair of the Committee until he stepped down as a member of the Board. On behalf of the Committee, I would like to thank John for his contribution to the Committee, as well as Michael McNicholas, who stepped down in the year.

Nirmal Kotecha and I have recently joined the Committee, and I look forward to working with the Committee to further develop health and safety processes and to support the Company in its obligations concerning the environment and sustainability.

Andrew McNaughton
Chair of the Health, Safety, Environment and Sustainability Committee
15 July 2025

Membership and attendance:

As at 15 July 2025, the Committee was made up of four INEDs. The Board Chairman, the CEO, the COO and the Director of Health, Safety and Wellbeing attend by invitation. Other members of Thames Water’s senior management team are invited to attend meetings when appropriate. The Company Secretary or their nominee acts as secretary of the Committee. The Committee met three times in this reporting period.

Committee activities during the year:

At its formal meetings this reporting year, the Committee considered and discussed:

- Health, safety and wellbeing performance reports;
- Incident reviews;
- Relevant principal risks;
- Climate adaptation and net zero carbon;
- Safety culture survey results;
- Digester programme delivery update;
- Biodiversity, sustainability and ESG (Environmental, Social and Governance) performance update;
- Road safety; and
- A briefing on the Environment Agency’s consultation on revisions to the environmental performance assessment.

The Committee looks forward to continuing to challenge the business on its management of health, safety and wellbeing, and aims to further develop processes and outcomes in these areas, as well as in regard to security and sustainability.

* At the April 2025 Committee meeting, the Health, Safety, Environment and Sustainability Committee was renamed the Health, Safety, Security and Sustainability Committee. The new inclusion of Security in this Committee and the reallocation of environmental matters to the Operational Oversight & Turnaround Committee are regarded as being governance enhancements designed to better reflect the key focus areas of each respective Committee.

	June 24	September 24	December 24	Total Standard Meetings
Health, Safety, Environment and Sustainability Committee	Standard	Standard	Standard	
Catherine Lynn	✓	✓	✓	3
John Holland-Kaye <small>Resigned from the Board on 31 December 2024</small>	✓	✓	✓	3
Nick Land	✓	✓	✓	3
Nirmal Kotecha <small>Appointed on 28 March 2025</small>	●	●	●	0
Michael McNicholas <small>Resigned from the Board on 16 May 2024</small>	●	●	●	0
Andrew McNaughton <small>Appointed on 28 March 2025</small>	●	●	●	0

✓ Attendance
✗ Apologies
● Not a Committee Member at that Date

Nomination Committee Report



Sir Adrian Montague
Chair of the Nomination Committee

Role of the Committee:

The Committee is accountable to the Board and assists the Board in reviewing and recommending appointments to the Board and Board Committees.

The Committee reviews the structure, size and composition of the Board and makes recommendations to the Board regarding any changes it considers necessary, including the formulation of succession plans for appointments to the Board, and maintaining an appropriate balance of skills and experience as well as diversity, in order that it remains effective and focused on driving forward the strategy of the Company.

Key actions from this year:

- Assessing and determining the key skills required for the Board to be best-equipped to deal with the challenges facing the business;
- Making recommendations to the Board on changes to the Non-Executive and the Executive Directors; and
- Following the departure of the CFO, Alastair Cochran, the Committee was focused on discussing the candidates for the role of a new CFO, subsequently recommending Steve Buck as the new CFO of the Company on 7 April 2025.

Priorities for next year:

- Continue to monitor and assess the skills required for the Board to assist the business in navigating the next phase of its restructuring, as well as its ongoing turnaround; and
- Reacting to the Board’s representation requirements of any new shareholder of the Company.

Other Committee members



Aidan de Brunner



Nick Land



Ian Pearson

Dear Stakeholder,

I am pleased to present the Nomination Committee Report. This was an important year for the Company, with it seeing several changes to the Board and its Committee memberships.

Michael McNicholas and John Holland-Kaye, Non-Executive Directors, and Jill Shedden, Independent Non-Executive Director, stepped down from the Board and the Committee during the year. On behalf of the Committee, I would like to thank Michael, John and Jill for their contribution to the Committee.

The Committee has welcomed a new member, Aidan de Brunner, who joined the Committee on 30 September 2024.



It was a busy year for the Nomination Committee. During this challenging time, the Committee considered candidates and recommended to the Board the appointment of our new INEDs and the incorporation of new Board Committees. Our focus remained on considering the best skills combination for the Board.”

Sir Adrian Montague
Chair of the Nomination Committee

Membership and attendance:

The Committee comprises Non-Executive Directors, the majority of whom are deemed to be independent, in accordance with the requirements of the Code. The Committee Chair is also the Board Chairman, who was independent on appointment. Membership of the Committee, excluding the Chairman, consists of three INEDs, Nick Land, Aidan de Brunner and Ian Pearson. The Company Secretary or their nominee acts as secretary to the Committee. When appropriate, the CEO, CFO, People Director, other senior management and external advisers are invited to attend Committee meetings.

The Committee met nine times during the year.

Following each Committee meeting, the Chairman provides an update to the Board and the Committee minutes are made available to the Board via the Board portal.

Committee activities during the year:

It was an important year for the composition of the Board and its Committees, with several changes being made. During the reporting period, the Committee considered and recommended for the Board’s approval seven new Board members: Aidan de Brunner, Neil Robson, Adam Banks, Nirmal Kotecha and Andrew McNaughton as Independent Non-Executive Directors, Julian Gething as Chief Restructuring Officer (CRO) and Steve Buck as Chief Financial Officer (noting his appointment outside the reporting period on 7 April 2025). These new members of the Board bring extensive experience in restructuring, financial, operational and business transformation to support the business during its restructuring and transformation. Their biographies can be found on pages 53 and 54.

Following the resignation of Michael McNicholas, John Holland-Kaye was appointed to the Committee in June 2024, before his departure from the Board in December 2024.

The Committee also considered and made recommendations to the Board for approval of the extension of the appointments for Catherine Lynn, Ian Pearson and Nick Land. The Committee recognises their extensive expertise, continuous commitment and contributions provided throughout the year. With regards to the Committee’s recommendation to the Board concerning Ian Pearson’s ongoing independence, see his biography on page 53.

The Committee considered the composition of the new Restructuring Committee, having regard to the skills, experience, knowledge, time availability and independence required to serve on Board committees. With the increased importance of the restructuring process, the Committee considered the new role of CRO. Having thoroughly considered various stakeholder interests and the relevant skills required for the role and its delivery of the restructuring process, the Committee recommended to the Board that Julian Gething be appointed to the Board as a CRO. Appointing Aidan de Brunner and Neil Robson onto the Board, and, more specifically, to the Restructuring Committee, also addressed an undertaking from the Company to Ofwat, pursuant to the loss of investment-grade status, to appoint a further two appropriately experienced INEDs.

The Committee has reviewed and considered the Board skills matrix. Given the increased importance of restructuring and transformation over the year, the Committee discussed and proposed to include additional skills into the Board skills matrix. Transformation, restructuring, regulatory and political affairs skills have, therefore, been added to the Board skills matrix, which can be found on page 55.

	May 24	Jun 24	Jun 24	Jul 24	Sep 24	Nov 24	Dec 24	Mar 25	Mar 25	Total Standard Meetings	Total Non-S Meetings	Total Meetings
	Non-S	Standard	Non-S	Standard	Standard	Non-S	Standard	Non-S	Standard			
Nomination Committee												
Sir Adrian Montague	✓	✓	✓	✓	✓	✓	✓	✓	✓	5	4	9
John Holland-Kaye <small>Resigned from the Board on 31 December 2024</small>	✗	✗	✓	✓	✓	✓	✓	●	●	3	2	5
Ian Pearson	✓	✓	✓	✓	✓	✓	✓	✓	✓	5	4	9
Nick Land	✓	✓	✓	✓	✓	✓	✓	✓	✓	5	4	9
Jill Shedden <small>Resigned from the Board on 30 September 2024</small>	✓	✗	✗	✓	●	●	●	●	●	1	1	2
Michael McNicholas <small>Resigned from the Board on 16 May 2024</small>	✓	●	●	●	●	●	●	●	●	0	1	1
Aidan de Brunner <small>Appointed on 30 September 2024</small>	●	●	●	●	●	✓	✓	✓	✓	2	2	4

✓ Attendance
✗ Apologies
● Not a Committee Member at that Date

Nomination Committee Report continued

The Board conducted a self-assessment exercise in early 2025, with the support of Independent Audit Limited. Questionnaires for the Board and its Committees were used in a form unchanged from the previous evaluation exercise in 2023 to facilitate comparison, with the questionnaire being completed by 24 respondents, including Board members, Executive Committee members, the Company Secretary, senior managers, Board advisors and our auditors. The Directors did not fill in the questionnaires for Committees that they do not routinely attend. Independent Audit Limited analysed the results and compiled its Report in March, which was discussed in draft with the Chairman before updating the Nomination Committee and it being presented to the Board. As highlighted earlier, based on this self-assessment, it is felt that there has been substantial overall improvement from the previous year, with Independent Audit Limited noting “the hard work that has been put into the business” and “the effort that has gone into making those necessary changes.”

The Committee also reviewed and considered Executive team succession and development during the year.

The Committee recognises the importance and benefits of having a diverse Board. In March, the Committee approved additional diversity measures to be recommended to the Board, which were then encompassed by the Company’s Board Diversity Policy (the Policy). The Committee considers social, cognitive and personal strengths

Board Diversity Policy objectives

Objectives

Considering candidates for appointment as Non-Executive Directors from a wide and diverse pool, which includes evaluating the combination of skills, experience, independence, and knowledge that the Board requires collectively to be effective. This includes, but is not restricted to, gender, disability, race, religion or belief, age, sexual orientation and social, cognitive and personal strengths

Making all Board appointments on merit

Improving Board female representation to reach at least 33%*

* Per the Hampton – Alexander Review

to be a vital measure that must be included when considering candidates for Board appointments, with these areas now included in the Policy.

Following Hannah Nixon’s and Jill Shedden’s resignations, gender diversity on the Board has decreased from 33% to 8.33%. The Board remains committed to improving female representation on the Board and to reaching its target of at least 33% of female members, as reflected in the Policy.

In accordance with the Company’s Articles of Association, the Board reviews, and authorises as appropriate, those situations where a Director has an interest that conflicts or may possibly conflict with the business being undertaken by the Board. Any Director with a potential conflict of interest relating to a specific matter that is being considered by the Board or one of its Committees must recuse themselves from the relevant meeting while this item is discussed, and may not vote on the matter.

In March, the Committee reviewed the Directors’ conflicts of interest register. Following the review, the Committee recommended to the Board that each conflict authorisation remained appropriate and that there were no business or other circumstances that were likely to affect the independence of any Director.

The Committee, as part of the conflicts of interest register review, also reviewed external appointments.

Status

The Committee considers that the Policy objective is being met when considering candidates.

More information on the recruitment, employment and training of disabled people can be found on page 92 of the Directors’ Report.

As above, the Committee considers the Board appointments to have been made on merit.

Following Jill Shedden’s and Hannah Nixon’s resignations, female representation on the Board fell from 33% to 8.33%, well below the recommended target. In addition, none of the positions of Chair, SID, CEO or CFO are currently held by a woman. We recognise that, to date, the Company has not met the recommended target, nor that of the Listing Rules and Disclosure Guidance and Transparency Rule 6.6.6(9)(a). In 2025/26, the Committee will review the Board’s diversity and recommend any changes, as required.

Objectives

Maintain a position where at least one member of the Board is from a minority ethnic background

Only engage Executive search firms who have signed up to the Standard Voluntary Code of Conduct for Executive Search firms

Annually report in the Company’s Annual Report and Accounts on the Board’s evaluation, including the composition, structure and diversity of the Board

Status

As at the date of publication of this Report, we have one Director from an ethnic minority background appointed to the Board. We are, therefore, meeting Listing Rules and Disclosure Guidance and Transparency Rule 6.6.6(9)(a).

The services of Korn Ferry were used during the year to assist with the identification and appointment of various of our new INEDs. Korn Ferry is independent of the Company and its individual directors. Korn Ferry is a signatory to the Standard Voluntary Code of Conduct for Executive Search Firms.

More information on diversity initiatives can be found on pages 32, 33 and 34

The Board Effectiveness Review is covered on page 50 of the Chairman’s Statement.

Diversity disclosures required under Listing Rule UKLR 6.6.6R(9), as at 15 July 2025:

a) Gender identity or sex

	Board Members		Number of senior positions on the board (CEO, CFO, SID and Chair)	Executive Management	
	Number	Percentage		Number	Percentage
Men	11	91.67%	4	6	66.67%
Women	1	8.33%	–	3	33.33%
Not specified/prefer not to say	–	–	–	–	–

b) Ethnic background

	Board Members		Number of senior positions on the board (CEO, CFO, SID and Chair)	Executive Management	
	Number	Percentage		Number	Percentage
White British or other White (including minority white groups)	11	91.67%	4	9	100%
Mixed/Multiple Ethnic Groups	–	–	–	–	–
Asian/Asian British	1	8.33%	–	–	–
Black/African/Caribbean/	–	–	–	–	–
Black British	–	–	–	–	–
Other ethnic group, inc. Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

Per the definition within the Listing Rules, the Executive Management within the Company is of Executives, including the Company Secretary.

Restructuring Committee Report



Sir Adrian Montague
Chair of the Restructuring Committee

Role of the Committee:

The Committee (which was established by the Board in July 2024) is responsible for monitoring and maintaining governance over the Company’s financial and operational stability. It provides strategic oversight and effective governance of both finance matters and restructuring matters. The Committee reviews and advises the Board on financing strategies, compliance with covenants, and liability management. It also monitors negotiations with stakeholders, establishes alignment with solvency duties, and approves critical aspects of recapitalisation initiatives. The finance matters and restructuring matters for which the Committee are responsible in terms of monitoring and making recommendations to the Board include (but are not limited to) the matters detailed below.

Finance matters

- The Company’s funding strategy, capital structure, and overall liquidity management;
- Certain funding transactions;
- Covenant compliance;
- Liability management (including interest rate, currency and inflation heading);
- Whole Business Securitisation documentation, including any proposed amendments; and
- Assessing distribution proposals prior to submission to the Board.

Other Committee members



Aidan de Brunner



Ian Pearson



Julian Gething



Neil Robson



Nick Land

Restructuring matters

- Monitoring and making recommendations to the Board in relation to the Company’s relationships with lenders and with existing and potential equity holders, concerning:
 - recapitalisation proposals, regarding new debt or equity financing;
 - modifications, waivers or amendments to the Group’s financial indebtedness and other contractual arrangements;
 - the Group’s liquidity and related transactions to raise or extend liquidity;
 - the sustainability of any amendments to the capital or corporate structure of Group entities;
 - the approval of strategies to engage with creditors, shareholders and other key stakeholders regarding liquidity initiatives or restructuring plans; and
 - equity raise processes, including the monitoring and progressing of bids.
- Where required, contingency planning for the Company and/or any Group member.

Key actions from this year:

- Overseeing liquidity management, including monitoring the short-term liquidity runway and approving key decisions to mitigate potential defaults under the Group’s financing arrangements;
- Supporting significant creditor engagement as part of Thames Water Utilities Holdings Limited’s restructuring plan (Restructuring Plans), including the negotiation and implementation of complex stakeholder agreements; and
- Progressing preparations for a full equity recapitalisation process, including monitoring bids, investor engagement and setting up key frameworks for financing strategies.

Priorities for next year:

- Facilitating the implementation and execution of the Restructuring Plans, following ongoing consultations with stakeholders;
- Continued negotiations and engagement with an informal group of class A creditors (the “Class A AHG”), an informal group of class B creditors (the “Class B AHG”), hedge counterparty banks, other creditors, and external stakeholders to align with recapitalisation strategies;
- Considering contingency planning, if required;
- Finalising and executing an equity process to secure potential new investors, driving future stability and resilience; and
- Driving robust governance and oversight during restructuring phases, including the evaluation of key legal, financial and operational matters.

Attendance at the Committee Meetings During the Year

The Committee met 22 times during this reporting period.

	Committee Members						
	Sir Adrian Montague (Chair)	Aidan de Brunner (INED)	Hannah Nixon (INED)	Ian Pearson (INED)	Neil Robson (INED)	Nick Land (INED)	Julian Gething* (ED/CRO)
28-Aug-24	✓	●	✗	✓	●	✓	●
09-Sep-24	✓	●	✓	✓	●	✗	●
09-Sep-24	✓	●	✓	✓	●	✗	●
23-Sep-24	✓	●	✓	✓	●	✓	●
07-Oct-24	✓	✓	✓	✓	✓	✓	●
14-Oct-24	✓	✓	✓	✓	✓	✓	●
21-Oct-24	✓	✓	✓	✓	✓	✓	●
28-Oct-24	✓	✓	✓	✓	✓	✓	●
04-Nov-24	✓	✓	✓	✓	✓	✓	●
08-Nov-24	✓	✓	✓	✓	✓	✓	●
18-Nov-24	✓	✓	✓	✓	✓	✗	●
02-Dec-24	✓	✓	✓	✓	✓	✓	●
09-Dec-24	✓	✓	✗	✓	✓	✓	✓
16-Dec-24	✓	✓	✓	✓	✓	✓	✓
06-Jan-25	✓	✓	✗	✗	✓	✗	✓
13-Jan-25	✓	✓	✓	✓	✓	✓	✓
27-Jan-25	✓	✓	✓	✓	✓	✓	✓
10-Feb-25	✓	✓	✓	✓	✓	✓	✓
18-Feb-25	✓	✓	✗	✓	✓	✓	✗
24-Feb-25	✓	✓	✓	✓	✓	✓	✓
03-Mar-25	✓	✓	●	✓	✓	✓	✗
10-Mar-25	✓	✓	●	✓	✗	✓	✓
Total Attendances	22	18	16	21	17	18	8*
Total Meetings	22	18	20	22	18	22	10
Attendance Rate	100%	100%	80%	95%	94%	82%	80%

✓ Attendance ✗ Apologies ● Not a Committee Member at that Date

*Julian Gething was excused from two meetings (18 February and 3 March 2025) due to prior commitments flagged to the Committee upon his appointment. Meetings were scheduled prior to his appointment. Simon Caton of AlixPartners attended as his designate. Julian Gething was appointed as CRO on 2 December 2024 and to the Board on 22 January 2025. He attended Committee meetings from the date of his appointment as CRO, not from the date of becoming a Board member.

Audit, Risk & Reporting Committee Report



Nick Land
Chair of the Audit, Risk & Reporting Committee

Role of the Committee:

The objectives of the Committee are the provision of oversight and effective governance over:

- The appropriateness of the Company’s financial and regulatory reporting, including management judgements and the adequacy of related disclosures;
- Monitoring of going concern status and the long-term viability of the Company;
- The system of risk management and internal controls, including the monitoring of principal risks;
- Compliance, whistleblowing and fraud prevention activities; and
- The performance of both the internal audit function and the external auditors.

Key actions from this year:

- Assessing, challenging and drawing conclusions on management’s going concern basis of preparation and related disclosures in relation to half-year and full year releases;
- Review of the long-term viability assessment and Condition P Ring-fencing Certificate, with consideration given to ongoing restructuring, regulatory investigations and shortfall in the Ofwat-awarded FD; and
- Review and challenge of significant accounting judgements in a period where there is an increased complexity and volume of accounting matters.

Priorities for next year:

- Driving forward further continuous improvement in the monitoring, reporting and mitigation of the Company’s principal risks.

Other Committee members



Aidan de Brunner



Neil Robson



Ian Pearson



The Committee has continued to play an important role in supporting the Board as the company navigates through restructuring its finances, an evolving risk landscape and significant regulatory scrutiny.”

Nick Land
Chair of the Audit, Risk & Reporting Committee

Dear Stakeholder,

I am pleased to present the Audit, Risk & Reporting Committee’s Report. The Committee has provided support to the Board by exercising oversight of the integrity of the Group’s financial and regulatory reporting, engaging with the external auditor, and overseeing the Group’s risk management and internal control framework.

Hannah Nixon and Michael McNicholas continued in office as members of the Committee until they stepped down as members of the Board during the year. On behalf of the Committee, I would like to thank Hannah and Michael for their contributions to the Committee.

The Committee welcomed new members Neil Robson and Aidan de Brunner during the year. Neil and Aidan have recent and relevant restructuring and financial experience. Throughout the year, the Committee has had at least one member with recent and relevant financial experience. Throughout the year, the Committee as a whole has also had competence relevant to the water sector in which the Company operates. For further details of Committee members’ skills and experience, see their biographies and skills matrix on pages 53, 54 and 55.

Nick Land
Chair of the Audit, Risk & Reporting Committee
15 July 2025

Composition:

The Audit, Risk & Reporting Committee (ARRC) is made up of four INEDs. The Chairman of the Board, CEO, CFO, Chief Risk and Compliance Officer, Director of Group Finance, Head of Internal Audit and external auditors attend by invitation. Other members of the senior management team are invited to attend meetings when appropriate. The Company Secretary or their nominee acts as secretary to the Committee.

In conjunction with each meeting, the external auditors, the CFO, the Chief Risk and Compliance Officer and the Head of Internal Audit are able to hold private sessions with the Committee without other management members being present. In performing its duties, the Committee has access to the services of the Risk and Compliance functions, Audit and Assurance functions, the General Counsel and Company Secretary and, if required, external professional advisers.

Separately, the Chair regularly meets with the external auditors, the CFO, the Chief Risk and Compliance Officer, the Head of Internal Audit and the wider Executive and senior management team.

The Committee met six times during the year.

	May 24	June 24	July 24	Sep 24	Dec 24	Mar 25	Total Standard Meetings	Total Non-S Meetings	Total Meetings
Audit, Risk & Reporting Committee	Non-S	Standard	Non-S	Standard	Standard	Standard			
Hannah Nixon Resigned from the Board on 3 March 2025	✘	✔	✔	✔	✔	●	3	1	4
Ian Pearson	✔	✔	✔	✔	✔	✔	4	2	6
Nick Land	✔	✔	✔	✔	✔	✔	4	2	6
Aidan de Brunner Appointed on 2 October 2024	●	●	●	●	✔	✔	2	0	2
Neil Robson Appointed on 2 October 2024	●	●	●	●	✔	✔	2	0	2

✔ Attendance ✘ Apologies ● Not a Committee Member at that Date

Audit, Risk & Reporting Committee Report continued

Committee activities during the year 2024/2025:

At its formal meetings this reporting year, the Committee has:

- Considered and discussed the risks to the business, including ongoing restructuring, regulatory investigations, shortfalls in the Final Determination (FD) awarded by Ofwat versus the Company's response to the FD, and its impact on the going concern and the long-term viability assessments;
- Reviewed the going concern assessment and the Company's long-term viability, including related disclosure and liquidity assessments in advance of the interim and year end financial results publication;
- Reviewed and challenged significant judgements, from both an accounting and a risk perspective;
- Sought the advice of external legal counsel on key matters, including going concern, long-term viability, the carrying value of contingent liabilities and the Ring-fencing Certificate;
- Reviewed the Interim Report, Annual Report and Accounts, and Annual Performance Report to satisfy the Committee that the information was fair, balanced and understandable;
- Engaged with the Group's external auditors on a regular basis in relation to the status of its audit work and matters arising;
- Approved the non-audit services undertaken by the Group's external auditors;
- Reviewed the responses to certain regulatory information requests;
- Considered the Company's risk profile, including details of its principal risks and associated mitigation plans, as described in the Principal Risks and Uncertainties section of this Annual Report;
- Reviewed the progress of the Risk Management and Controls Improvement Plans, including the Internal Control Framework;
- Approved and tracked the annual Internal Audit plan, key findings and action delivery;
- Monitored progress to strengthen the internal control framework;
- Received updates on and considered the Company's position in relation to its Condition P Ring-fencing Certificate obligations;
- Formally considered the sufficiency of resources to deliver the Group's obligations, including the review and challenge of the Ring-fencing Certificate and the assurance provided by the Internal Audit team; and
- Received reports on whistleblowing, fraud and anti-bribery, including details on key cases and any associated lessons learned.

Financial and Regulatory Reporting

The Committee reviewed the Annual Report and Accounts, and the Annual Performance Report, ahead of publication to assure itself that they were aligned with the Company's position, performance and strategy, and that the narrative sections were consistent with the financial statements and tables and were presented clearly and gave a balanced view of the business's performance and future outlook, and also that appropriate weight was given to both positive and negative aspects.

The significant matters identified by the Committee in relation to the 2024/25 financial statements are noted within this Report; these include all items raised by the external auditors in their Report as key audit matters.

The FRC's Corporate Reporting Review team provided commentary on the 2023/24 Annual Report and Accounts. All enhancements that were proposed to our disclosures are incorporated into this 2024/25 Annual Report and Accounts. In addition, the statement of cash flows has been restated for the comparative prior year (2023/24), to reflect our acceptance of challenges raised regarding our accounting policy.

The Committee advised the Board that the 2024/25 Annual Report and the Annual Performance Report provide a fair, balanced, and understandable assessment of the Group's position, and that the necessary information is provided to assess its position, performance, business model and strategy.

Significant judgements and estimates used in the financial statements

This table lists the most significant accounting judgements and areas of estimation uncertainty that were considered during the financial year. These matters were deemed by the Committee to be significant for the 2024/25 Annual Report and are consistent with the external auditors' report.

These matters were subject to robust challenge and debate between the Executive Directors, management, the external auditors and the Committee. The adverse outcome of the PR24 Price Review and the ongoing process to seek equity funding and restructure our debt have continued to drive incremental considerations for the Committee and the convening of additional meetings to review significant matters.

As part of the Committee's role, it is required to review and challenge the following accounting judgements and associated presentation within our Annual Report.

Accounting area and judgement

Long-term viability

In accordance with the UK Corporate Governance Code, the Group is required to undertake a robust assessment of the long-term viability of the Company, including the consideration and disclosure of assumptions or dependencies.

How the matter was addressed by the Committee

The Committee reviewed the papers prepared by management, considered advice from financial advisors and took advice from external legal counsel.

The Committee was content with the use of a five-year assessment to 31 March 2030, which is consistent with the reporting requirements and the AMP8 planning cycle. The Committee challenged management on:

- Its methodology for assessing viability, given that its base case business plan is not considered financeable or investable without significant changes to the Final Determination ("FD");
- Key assumptions underpinning the assessment, including the path to securing a financeable and investable business plan, as well as the holistic recapitalisation of the Company;
- Preventative and mitigating actions that are available to the Company in the event of risks materialising; and
- Outlook for credit ratings.

The LTVS expectation was based on four principal assumptions:

- That the creditors are able to reach an agreement with Ofwat on a financing plan, management plan, governance plan and suite of regulatory easements that can support the investment of new equity and reinstated IG ratings;
- That, in the absence of agreement, the Company pivots to a Competition and Markets Authority referral, which delivers a revised FD that is investable and financeable;
- That the Company is able, as a result, to implement a holistic recapitalisation (RP2); and
- Any successful recapitalisation that supports IG ratings will also be robust against reasonable downside sensitivities with regard to the Company's principal risks. In previous years, we have undertaken detailed sensitivity analyses that have demonstrated such resilience, but, until we have access to the creditors' model and detailed financing plans, we will not be in a position to undertake a similar analysis on the AHG plan.

The Committee was satisfied with the viability assessment and the related disclosure within the Strategic Report.

Audit, Risk & Reporting Committee Report continued

Accounting area and judgement

Going Concern

A going concern assessment is required to be reported by the Group in its review of its ability to continue operations and discharge its obligations as they fall due, for a period of at least 12 months from the approval of the financial statements.

How the matter was addressed by the Committee

The Company is required to draw up its accounts on a going concern basis unless (a) the directors intend to liquidate the company or cease trading or (b) they have no realistic alternative but to do so. This is an extremely high bar.

The Committee reviewed papers prepared by management that covered liquidity runway key covenants (temporarily suspended beyond the going concern period) and credit ratings (currently sub-investment grade). The Committee challenged management on the base assumptions, and mitigants considered.

The Committee recognised that action is needed by management to maintain 12 months of liquidity from the date of approval of the financial statements in order to continue operations and discharge its obligations as they fall due. This could be achieved in the short term through any one of a number of actions, including implementing cash conservation measures that do not threaten the Group's statutory duties (actions within the Board's control), securing creditor support for the additional drawdown of committed super senior facilities, accessing the currently uncommitted £1.5bn accordion facility (if filled, and subject to creditor consent), or raising equity (actions outside of the Board's control).

Additional funding is dependent primarily up on the success of the ongoing recapitalisation process, which would be underpinned by various factors, including Thames Water Utilities Limited's ability to secure an investable and financeable business plan, either through the CMA or by engagement among stakeholders.

The Committee sought advice from financial advisers and from external legal counsel on those considerations factored into the assessment.

The Committee was satisfied that it is appropriate for the Group's financial statements to be prepared on a going concern basis and with the disclosures prepared, which include multiple uncertain factors and make reference to material uncertainty.

Accounting area and judgement

Revenue recognition and provisions for expected credit losses

The Group has a statutory obligation to supply water and wastewater services to household customers, even when their bills are unpaid. The value of revenue recognised and expected credit losses recorded in relation to doubtful debts for household customers is an area of significant judgement and estimation.

How the matter was addressed by the Committee

The Committee reviewed the judgements related to the recognition of revenue and expected credit losses, including the ageing of the debtors used, along with the basis driving the cash collection and write-off rates in the year. These assumptions were considered together with the findings from the external auditors.

The Committee reviewed the adequacy of the disclosure of the accounting policy and associated significant estimates. Based on its review, the Committee was satisfied with the approach taken by management.

Intercompany receivables expected credit loss provision (due from Thames Water Utilities Holding Limited)

The Group performed a recoverability assessment over the whole period to maturity of intercompany loans through a multi factor analysis of scenarios and associated probability weightings to assess expected credit loss (ECL).

The Committee reviewed the findings of the multifactor scenarios considered as the basis of an expected credit loss and its related disclosure. The Committee challenged management on the assumptions applied and considered the results of the external auditors' work and conclusions.

Based on its review, the Committee was content with the appropriateness of the methodology and assumptions, therefore, a conclusion was reached by management over the level of expected credit losses recognised for intercompany balances and the related disclosures included within the accounting policies and notes.

Impairment assessment of the investment in Thames Water Utilities Finance plc (Company-only accounts)

The Company holds an investment in its subsidiary, Thames Water Utilities Finance plc (TWUF), of £207.7 million. An estimate of the recoverable value of the investment has been calculated per IAS 36. An analysis has been performed that takes into account the expected changes in debt and margin earned by the investment over an explicit forecast period and then into perpetuity, to derive a future net asset value.

The Committee reviewed the findings of the recoverable value of the investment and considered the impairment loss and its related disclosure. The Committee challenged management on the assumptions applied and considered the results of the external auditors' work and conclusions.

Based on its review, the Committee was content with the appropriateness of the methodology and assumptions; therefore, a conclusion was reached by management over the level of impairment losses recognised for investments held in subsidiaries and the related disclosures included within the accounting policies and notes.

Audit, Risk & Reporting Committee Report continued

Accounting area and judgement

Environmental litigation provisions and contingent liabilities

Prosecutions in relation to environmental incidents are brought against the Group by the Environment Agency (EA). The provisions recognised are based on legal counsel providing the expected outcomes for those incidents being prosecuted and on historical data for incidents that are early in the legal process.

The Group is separately subject to:

- (i) an enforcement order and financial penalty, following Ofwat concluding its investigation into the running of sewerage treatment works;
- (ii) investigation by the EA into compliance with storm sewerage discharges, in line with environmental permits;
- (iii) a collective proceedings claim in the Competition Appeal Tribunal alleging a breach of competition law in relation to the historic reporting of pollution incidents;
- (iv) investigations by Ofwat and the EA into the delivery of WINEP schemes;
- (v) non-compliance with the Industrial Emissions Directive; and
- (vi) DWI Enforcement Orders.

Provisions and contingent liabilities

A number of commercial, regulatory and legal matters which require consideration as to whether a provision or contingent liability should be recognised.

How the matter was addressed by the Committee

The Committee reviewed and challenged management's provisioning methodology related to environmental incidents. Following a review of the methodology and guidance from external legal counsel, the Committee was satisfied with the approach taken.

The Committee was satisfied with management's assessment that following the receipt of Ofwat's enforcement order and financial penalty, this should be fully provided for.

In regards to other claims and investigations, the Committee reviewed guidance from internal and external legal counsel. The Committee concurred with management that, in these cases, provision recognition criteria had not been met (either it was not probable that an economic outflow would occur, or that the outflow could not be reliably estimated) and, therefore, disclosure as contingent liabilities was the most appropriate approach. The Committee was satisfied with management's disclosure, as included within the accounts.

The Committee sought to understand the appropriateness of the methodologies used, and the relevant assessments of the various matters, including guidance from external and internal legal counsel.

Following challenge, the Committee was satisfied with management's judgements over contingent liabilities and provisions in addition to the related disclosure included within the accounts.

Accounting area and judgement

Classification of capitalisation expenditure, fixed assets and intangible assets

The Group delivers a significant capital programme. The classification of costs between capital and operating expenditure requires judgement.

Valuation of defined benefit obligations

The valuation of the Group's defined benefit obligations is highly sensitive to the assumptions used and requires significant judgement and estimation.

Valuation of financial derivatives

The Group has a significant value of swap instruments. Valuation of these is based upon financial models that require a level of judgement.

Debt Modification

The Group's debt portfolio was modified with a two-year extension of its debt maturities.

Exceptional items classification

Exceptional items are reported on the face of the income statement in a separate column.

How the matter was addressed by the Committee

The Committee sought to understand the significant investments and expenditure during the year, any notable year-on-year movements, changes in policies, indicators of the impairment of assets and estimates over depreciation and amortisation. It was noted that the Thames Tideway Tunnel capital project is now in its testing phase.

The Committee challenged management on their impairment assessment of the desalination plant. The Committee was content with management's analysis.

The Committee considered the IAS19 actuarial report undertaken by the independent actuaries Hymans Robertson LLP as at 31 March 2025, the assumptions used within this Report and the additional risk from the impact of macroeconomic factors on market volatility. The Committee considered the work performed by the external auditors, including the benchmark analysis performed.

From these reviews and discussions, the Committee was satisfied with the valuation of the Company's defined benefit schemes and related disclosures.

The Committee reviewed the methodology adopted on the valuation of the derivative instruments, including the areas of judgement in particular around unobservable factors, consequences of the restructuring plan and related assumptions. The Committee was content with the methodology applied by the Group to value derivatives in the financial statements and the related disclosures.

The Committee considered the modification of debt as a result of the court-sanctioned restructuring plan. The Committee considered the analysis, which concluded that there is not a substantial modification and that the debt extension should not be recognised as an embedded derivative, and was content with these conclusions.

The Committee considered management's continued disclosure of exceptional items separately from underlying performance as a way to drive more transparent information on underlying business performance. The committee challenged new items identified in the year.

The Committee was satisfied with managements judgement, and that the classification of exceptional items was in line with the Group's accounting policy. The Committee was content that the disclosure was fair, balanced and understandable.

Audit, Risk & Reporting Committee Report continued

FRC Review

During the year, the Corporate Reporting Review (CRR) team from the Financial Reporting Council (FRC) undertook a review of the Company's Annual Report 2023/24 and the financial statements (in accordance with Part 2 of the FRC Corporate Reporting Review Operating Procedures). The Company received enquiries on the application of accounting policies regarding revenue recognition and the realisation of profit in respect of the Thames Tideway Tunnel (TTT) charges, cash flow statement presentation of dividends and capitalisation of the reduction in value of investment property.

Following a review, which was prompted by the FRC's enquiries, the Company has made enhancements to its disclosures within the Accounting Policies and Notes to the Financial Statements, improving policies to better articulate the method of accounting for costs associated with the TTT, and reviewed the Company's accounting policy relating to the cash flow presentation of dividends. The 2023/24 accounts presented within the Consolidated and Company Only Statement of Cash Flow those dividends declared and settled intercompany loans, including associated interest as financing cash-out flows and group relief sold as operating cash inflows on the basis that this was intended by all parties to be in substance a cash settlement; this was disclosed within the notes to the accounts as being settled through a net settlement deed. As a result of this enquiry, management have taken into consideration the views of the CRR team and have decided to change the accounting policy. As a change in accounting policy and as is consistent with the requirements of IAS 8, this has been retrospectively restated.

The restatement within the statement of cash flows has no impacts on our reported profit, net cash flow movements, Statement of Financial Position, liquidity or outcomes for our covenant reporting.

The FRC concluded their enquires in relation to the revenue recognition and realisation of profit in respect of Thames Tideway Tunnel charges, the capitalisation of the reduction in value of investment property, and the cash flow statement presentation of dividends.

The FRC's review provides no assurance that the Annual Report and Accounts are correct in all material respects. The FRC's role is not to verify the information provided but instead to consider compliance with reporting requirements.

Ring-fencing Certificate (RFC)

The Committee formally considered the sufficiency of resources to deliver our regulatory obligations during the year, including the review and challenge of the RFC. The Committee considered guidance from internal and external legal counsel, and reviewed the results of the assurance conducted by internal audit. In addition, the Committee reviewed and recommended to the Board that updates be provided to Ofwat on RFC developments during the year.

Management was challenged on the basis of its conclusions, its recommended opinion and the disclosures included within the certificate. The Committee was content with the approach taken.

Risk management and internal control

The Committee oversaw ongoing improvements to the Company's risk management framework and its system of internal controls. This included oversight over the Risk Management Improvement Plan (RMIP), which seeks to improve the maturity of risk management across the business. The Committee reviewed, amongst other items, regular updates on the Company's principal and emerging risks, our insurance renewal strategy, our conflict of interest disclosures and the action taken in response to whistle-blowing cases.

The Committee was provided with updates on progress to strengthen and finalise the deployment of the common and structured Internal Controls Framework (ICF). The ICF defines the key management structures and what minimum requirements must be in place to maintain the effectiveness and integrity of our system of internal control. The Committee was regularly updated on the phased progress to strengthen the financial and, compliance control environments and to finalise deployment of the operational control environments.

These updates allowed the Committee to make informed reviews of our company risk profile and to recommend additional controls and mitigations where appropriate.

The Committee, on behalf of the Board, completed an annual review on the effectiveness of the Company's risk management and internal control systems. The Committee were satisfied that effective risk management and effective systems of internal control have been in place across the Company and throughout the 2024/25 financial year and as at the date when the 2024/25 financial statements were approved.

In preparation for compliance with the 2024 UK Corporate Governance Code, we are reviewing our risk management and internal control framework. This includes reshaping our internal control framework across strategic, financial, compliance, operational and reporting categories.

Internal audit

In 2024/25, the Committee reviewed and approved the Internal Audit Charter. In accordance with this, the Committee considered and approved the remit and activities of the internal audit function, ensuring that it had adequate resources and appropriate access to information in order to enable it to perform its function effectively and was free from management or other restrictions, in accordance with the relevant professional standards.

The Committee reviewed and assessed the annual internal audit plan, which contained a mix of risk-based audits and legal and regulatory-focused assurance activities. The plan was delivered through appropriately skilled and qualified internal resources, supported with external resources where more specialised skill sets were required, namely, within Information Systems and Technology.

The Committee monitored the effectiveness of action closure, including reviewing the status of any overdue actions.

The Committee continues to monitor reforms and developments to audit and corporate governance regulations from the Government, the Financial Reporting Council and the Chartered Institute of Internal Auditors.

External audit

The Committee has primary responsibility for overseeing the relationship with, and performance of, the external auditors, PwC LLP. This includes reviewing the terms of engagement and the scope and execution of its audit work. It assessed the audit's independence and objectivity, while considering relevant UK professional and regulatory requirements.

The 2024/25 financial year was the seventh year that PwC has been the Group's external auditors, after a competitive tender in 2018/19. The Group adopts the same approach to audit tendering as a FTSE 100 company, securing the Group's compliance with the current regulations on the statutory audit of Public Interest Entities. Therefore, the Group will put the statutory audit out to tender by 2028/29 or earlier, depending on the Committee's recommendation.

The Company confirms that it was in compliance with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 for the year ended 31 March 2025.

Effectiveness of the external auditors

The Committee considers audit quality to be the principal requirement of the annual audit process and, as such, a full effectiveness review is conducted annually. The Committee assessed the effectiveness of the external audit during the financial year by considering the resources, continuity, qualifications and expertise of the external auditors' team. The assessment also included consideration of the audit planning process, including the identification of audit risks, robustness of audit procedures and level of professional scepticism. Audit risks are detailed in the Independent Auditors' Report, which is included within the consolidated financial statements.

Following the annual review, and discussions held between the Committee and the external auditors throughout the audit process, the Committee is satisfied with the delivery of the external audit process by PwC, and PwC was deemed effective in its role as external auditors.

Auditors' independence and objectivity

An external auditors' independence is essential to the provision of an objective opinion on the true and fair view presented by the financial statements. The Committee takes responsibility for ensuring that the three-way relationship between the Committee, the external auditors and management remains appropriate.

There are safeguards in place to maintain this independence by frequently reviewing the non-audit services performed by the external auditors, ensuring that employees of the external auditors who have worked on the audit in the past two years are not appointed to senior financial positions within the Group, and rotating the lead engagement partner at least every five years and other key audit partners every seven years.

The fees for this financial year, as detailed within the consolidated financial statements, are reasonable and allow an effective audit to be conducted.

The increase in fees in the period is attributable to the volume and complexity of judgements and is considered to be driven by the complex environment the Group is operating within and the impact of ongoing financial restructuring during the year.

Audit, Risk & Reporting Committee Report continued

Non-audit services

To preserve objectivity and independence, the external auditors are not asked to provide other services unless these are required for regulatory assurance, or if this is in the best interests of the Group. Non-audit services are procured in accordance with the Group's non-audit Services Standard, which incorporates requirements under the FRC's 15 December 2024 Revised Ethical Standard. This limits those services those can be sought from the external auditors and prohibits aggregate fees for non-audit services in excess of 70% of the average audit fee for the previous three financial years.

Approval from the Committee is sought where the external auditors provides non-audit services with an engagement fee of over £25,000.

All services procured are deemed permissible in accordance with the FRC's Revised Ethical Standard. Non-audit services were £893,800 in the current period (2023/2024: £745,300). These services related primarily to assurance relating to the Annual Performance Report, Interim Accounts and other regulatory submissions.

The Committee continued to take steps so that safeguards were in place relating to non-audit work, including written representations from the external auditors that confirmed their independence, and was content that the non-audit fees incurred have not resulted in a loss of independence or objectivity.

Directors' Remuneration Report

Chair's statement



Thames Water continues to navigate a uniquely complex environment, marked by financial, regulatory, and reputational pressures, but it has remained focused on progressing its transformation plan and improving service delivery during 2024/25.

Ian Pearson
Chair of the Remuneration Committee

The Remuneration Committee is chaired by Ian Pearson, who has been a member of the Board and Remuneration Committee since 2014. Ian replaced Jill Shedden, who stepped down in September 2024 after serving six years as Chair of the Committee. Ian brings extensive business and public sector insight to the Board. During a distinguished Ministerial career, from 2001-2010, he held several positions, including Minister for Trade & Foreign Affairs, Minister of State for Climate Change and the Environment, Minister for Science, and Economic Secretary to the Treasury. This is his first Chair's Statement.

This Remuneration Report is presented on behalf of the Remuneration Committee, to describe our approach to Director remuneration in the 2024/25 financial year, as well as how we propose to implement the remuneration policy for the 2025/26 financial year.

The Committee's decisions are underpinned by a set of core remuneration principles, to which we remain fully committed in the current circumstances. These principles include reinforcing a performance culture, aligning remuneration with the Company's strategic priorities, and rewarding colleagues for achieving success for our stakeholders. The Committee also aligns its approach to remuneration with the evolving regulatory landscape for our sector and, in determining performance-related pay outcomes, supplements the formulaic achievement of pre-set targets with a broader assessment of performance. This enables the Committee to ensure that outcomes resonate with the service we provide to our customers, our impact on the environment and our responsibilities as an employer of c.8,000 colleagues, who seek to bring their best performance to work every day.

We also have a duty of care to the Company's many stakeholders, to ensure that Thames Water can attract, motivate and retain the very best talent at all levels of the organisation. Without a high-calibre workforce, the Company would not be able to achieve its ambition of delivering a complex and inherently long-term transformation plan while continuing to deliver life's essential service every day.

This report explains how the Committee's decision-making reflects this very important context, particularly following one of the most challenging and transformative years in Thames Water's history. Thames Water continues to navigate a uniquely complex environment, one that is marked by financial, regulatory, and reputational pressures, including:

- **Creditor engagement:** proactive discussions with creditors have extended the Company's liquidity runway, mitigating the risk of special administration.
- **Investor relations:** engagement with potential new investors and a rigorous due diligence process have been undertaken.
- **Regulatory milestones:** completion of the Draft and Final Determination processes, followed by the strategic decision to request that Ofwat appeal to the Competition and Markets Authority (CMA). Whilst the decision has been made to defer this referral, the leadership team stands in readiness to re-enter the process, should this be required.
- **Public and political scrutiny:** the Company continues to operate under intense scrutiny from stakeholders, the media, and the communities that it serves.

Notwithstanding these pressures, Thames Water has remained focused on progressing its transformation plan and improving service delivery during 2024/25. This is the first full year of Chris Weston's tenure as CEO, during which time Chris has continued to lead by example and has earned the confidence of the Board, the creditors and, perhaps most importantly, his work colleagues. Under his leadership, the Company has continued to lay the foundations for future success, including:

- Putting in place the new management team, which is focused on delivering the business plan and the Company's financial restructuring process, and establishing the platform for performance improvement in AMP8;
- The implementation of a new operating model, including the creation of the Chief Operating Officer role and the Asset Operations and Capital Delivery (AO&CD) function;
- Significant cultural and behavioural change; and
- Ensuring that the leadership team is aligned with key accountabilities and business performance.

The new management team included two Executive Director changes in the year:

- Julian Gething was appointed as Chief Restructuring Officer of Thames Water on 2 December 2024, to advise on balance sheet recapitalisation. His engagement is unique and is outside typical market norms. Unlike other Executive Directors, Julian is not a Thames Water employee but remains a Partner at AlixPartners. Thames Water pays AlixPartners a fixed monthly fee for his services, which is disclosed in the Remuneration Report but is not paid directly to him. He does not receive employee benefits or performance-related pay. The Company and the Board are aware these fee arrangements sit outside the current Executive Director Remuneration Policy.
- Alastair Cochran (CFO) stepped down from the Board on 27 March 2025 and left the Company on 31 March 2025. Alastair received payment in lieu of his notice period, a payment in lieu of the legacy LTIP transition and a payment for loss of office. In determining the payments to be made to Alastair for loss of office, the Nominations Committee recommended to the Board that discretion be exercised to include the final LTIP transition payment due to be paid in July 2025. The company has decided that Alastair's payments for loss of office will not be customer funded.
- Steve Buck joined Thames Water on 7 April 2025 as Chief Financial Officer. Steve's notice period is aligned with that for the CEO. The Committee exercised its discretion to vary the Directors' Remuneration Policy to accommodate this decision, which by ensuring that the Company was able to recruit a CFO of the necessary calibre and ensure leadership stability at this time, was considered to be in the best interests of all stakeholders. As part of Steve's offer of employment, Thames Water agreed that he would receive a retention payment in June 2026, subject to his continued employment. However, this is currently on hold as part of the general pause of the Management Retention Plan (MRP), whilst the Committee gives full consideration to the Water (Special Measures) Act 2025 PRP Prohibition Rule.

Full details of the remuneration of these individuals are set out later in this Report.

Directors' Remuneration Report continued

We are already seeing results from these stabilising actions. The Company has achieved good performance (in some cases, our best in AMP7) in several critical areas such as mains repairs, leakage, supply interruptions, internal sewer flooding and sewer collapses. These achievements reflect a continued operational focus and improved execution across the Company and have been delivered, notwithstanding the extraordinary circumstances under which it has been operating. The Company has also recorded progress in some of the key environmental measures. Water Quality (CRI) performance has been positive, following a disappointing year in FY24, with our Public Health Transformation Programme delivering sustainable improvements; overall performance fell just short of the regulatory 'deadband' (an outturn of 2.04 compared to the deadband target of 2.00).

These early signs of performance improvement have required significant personal contributions from the leadership team, and Chris in particular, that extend beyond an individual's normal contractual obligations of employment. Our duty of care to employees includes our senior leaders, and the Committee recognises that the very material commitment required of Chris during 2024/25, that he led the Company effectively through a very challenging financial year, restricted his ability to take his contractual annual leave entitlement. Accordingly, at its discretion, the Committee resolved to buy back the significant remaining balance at year-end, on an exceptional basis.

Despite the progress made in some areas, pollution incidents performance continues to fall short of the expectations set by the Board, our stakeholders and regulators. The Company's revised Pollution Incident Reduction Plan, published in April 2025, introduces more granular KPIs and operational metrics. This is expected to enable the Company to improve its performance against this primary measure of environmental impact; however, there are no quick fixes, and our disappointing pollutions performance failed to meet the Environment Standard required by Ofwat's pay prohibition rules, as imposed under the Water (Special Measures) Act. As a result of pollution incidents performance, as well as the credit downgrading in 2024/25, which resulted in the Company no longer holding two investment grade ratings, the payment of a performance-related pay award to Chris Weston, for the 2024/25 financial year has been prohibited.

Looking ahead, the Remuneration Committee remains committed to performance-related pay, which it considers to appropriately reinforce the performance culture required to underpin delivery for customers, communities, and the environment. Our remuneration policy serves to incentivise the Executive Directors to deliver the Company's transformation as quickly and effectively as possible; ultimately, driving long-term improvements that will benefit customers and the environment is what will restore public trust and confidence in the Company, and in the sector more generally.

The Company will retain the existing structure of PRPP for 2025/26 and undertaking a comprehensive review of its approach to remuneration in the context set out above (including the associated regulatory guidance) to ensure that the Thames Water Directors' Remuneration Policy remains fit for purpose and supports our ambition to succeed.

2023/24 Performance Related Pay

Customer Funding

In October 2024, Ofwat confirmed that any PRPP associated with 2023/24, must not be paid for by customers. Ofwat has indicated that it will take payments relating to Chris Weston and Alastair Cochran into account as part of its recovery mechanism, resulting in an adjustment to price controls for Thames Water and therefore resulting in customers not funding this payment.

Restatement of Cashflow

As disclosed in our Financial Statements (see page 104), two items impacting the Company's operating cash flow have been restated for the 2023/24 performance year: Nil Cost Adopted Assets and Dividend Payments. The Remuneration Committee has considered whether either of these restatements should have an impact on the outcome of the 2023/24 PRPP, given, one of the measures on the scorecard was operating cash flow, which was assessed as being above target based on the information available to the Committee at the time.

Regarding the treatment of Nil Cost Adopted Assets, it was identified that fair value adopted assets had not been stripped out of the indirect cash flow statement as non-cash items. Due to the recognition of balances on the statement of financial position, this resulted in movements in operating cash flows (contract liabilities) and investing cash flows (purchase of property, plant and equipment). The Group and Company have restated these items, in line with the correct accounting treatment. Whilst this had a £nil impact on total cash flows, it did result in an overstatement of the operating cash inflows generated by

£108.8 million and an overstatement of investing cash outflows by £108.8 million.

A reduction of £108.8 million, in line with the above, would have resulted in the out-turn being below target. The Committee discussed whether the out-turn of this measure for the 2023/24 performance year should be revisited and whether it was appropriate for clawback of part of the 2023/24 PRPP award to be instigated.

After full deliberation, the Committee decided that no adjustment was required. The rationale was that if the corrected accounting treatment had been applied at the time of setting the 2023/24 PRPP target, the target would have been different. It is not appropriate to retrospectively apply the correct methodology and reset the target for this measure.

The Committee also reviewed the 2024/25 PRPP out-turn for operating cashflow and was satisfied there was no impact.

Regarding the treatment of Dividend Payments, this follows an enquiry received during the year from the Corporate Reporting Review team (CRRT) of the Financial Reporting Council (FRC), arising from their review of the Company's Annual Report 2023/24. The accounts presented within the Consolidated and Company Only Statement of Cash Flow, dividends declared and settled intercompany loans including associated interest as financing cash out flows and group relief sold as operating cash inflows, on the basis that this was intended by all parties to be in substance a cash settlement; this was disclosed within the notes to the accounts as being settled through a net settlement deed. In summary, the FY24 operating cashflow included £137 million income from group relief sold to its parent. No cash physically transferred. This amount has been restated in our draft accounts to reflect £nil in the FY24 operating cashflow. As a result of this enquiry, management have taken into consideration the views of the CRRT and have decided to change the accounting policy for such transactions.

This change in accounting policy reduces the 2023/24 operating cash flow by £137 million, which would have resulted in the operating cash flow measure being below target. As with the Nil Cost Adopted Assets, the Committee discussed whether the out-turn of this measure for the 2023/24 performance year should be revisited and whether it was appropriate for clawback of part of the 2023/24 PRPP award to be instigated.

After full deliberation, the Committee decided that no adjustment was required. It is fair to believe that, had the business deemed there was a different accounting interpretation, it would have had the option to pay the dividend up and receive cash back down for group relief sold, resulting in no restatement being required. Management could also have taken other actions to preserve operating cash flow. As with the Committee's decision regarding Nil Cost Adopted Assets, it does not believe it is appropriate to apply a retrospective change in accounting Policy.

The Committee takes potential changes to and errors in the calculation of the PRPP out-turn extremely seriously, but has determined that this was the most appropriate course of action in these circumstances.

2024/25 Remuneration

Remuneration Policy Summary

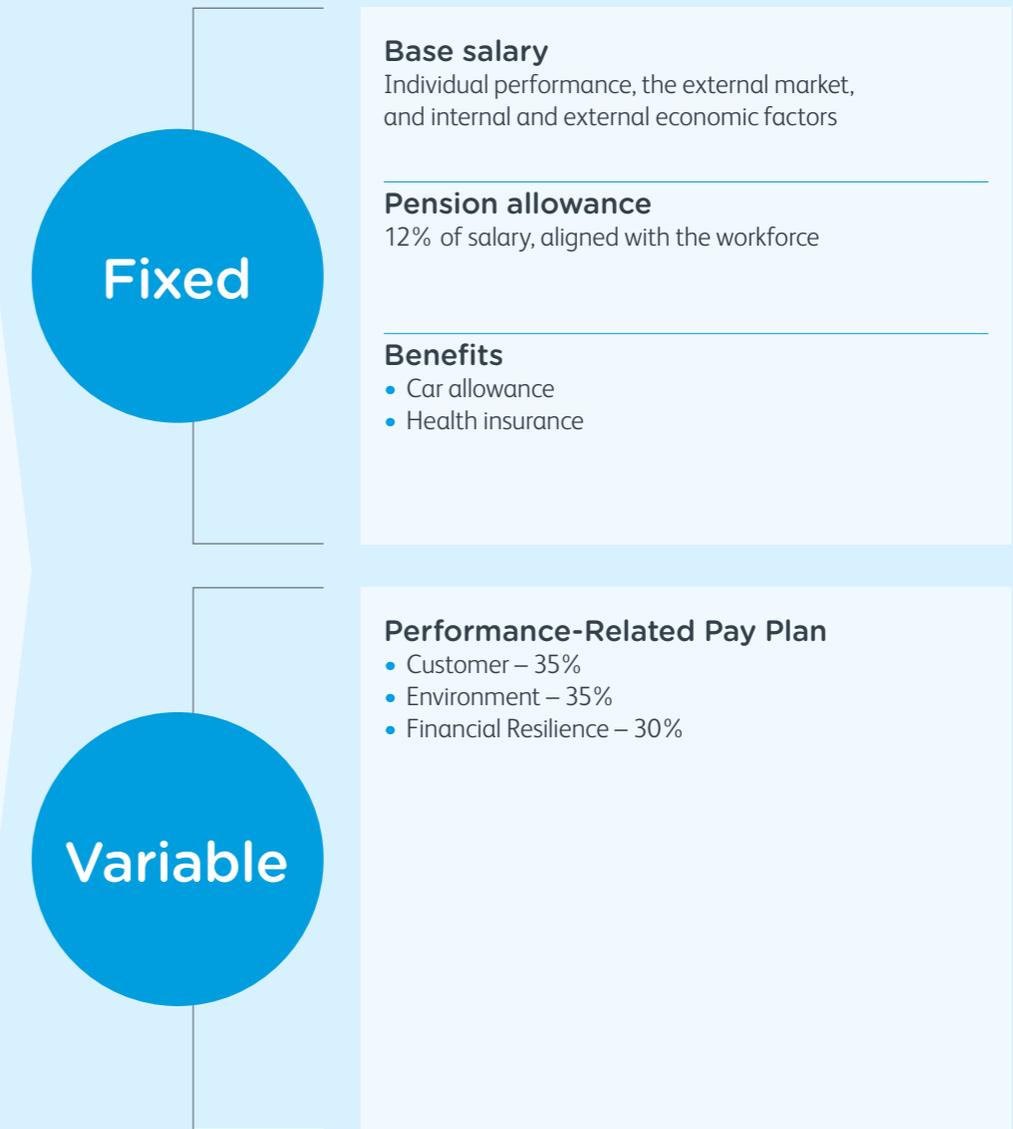
Outlined below is a summary of our approach to Remuneration for 2024/25:

Remuneration principles

- Remuneration should be aligned with the interests of the Company’s key stakeholders, in particular, our customers, shareholders, suppliers and employees
- The policy should link remuneration to the Company’s strategic priorities, promote its long-term success, and reinforce the Company’s culture
- The policy should promote demonstrable links between rewards for Executive Directors and performance for customers and shareholders, as well as performance against the Company’s environmental targets
- Remuneration should be commensurate with packages provided by other companies of similar size and complexity, taking into account individual contributions and experience
- Remuneration should include a mix of fixed and variable pay, comprising basic salary plus performance-related pay

Remuneration policy

Base Salary	Reflects the scope and responsibilities of the role, the skills and experience of the individual and the market No cap, although increases will normally not exceed average increases for the wider workforce
Pension	Payment to the defined contribution pension scheme or cash in lieu of pension Pension contribution for Executive Directors is aligned with workforce norms at up to 12% of salary
Other Benefits	Competitive range of benefits No maximum limit, although set to be in line with the market and the rest of the workforce
Performance-Related Pay Plan	Based on the key priorities of customers, the environment and financial resilience over one year Executive Directors: A maximum opportunity of 240% of base salary Earned award payable at 60% at the end of the year, with 40% deferred by two years and subject to a 0.75x – 1.25x performance multiplier Malus and claw-back provisions apply



2024/25 Remuneration continued

This section has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). The information has been audited as indicated.

Single total figure of remuneration for Executive and Non-Executive Directors (audited) for 2024/25 and 2023/24

	Salary/Fees £'000		Taxable Benefits £'000		PRPP/Annual bonus £'000		LTIP £'000		Pension related benefit £'000		Other £'000		Total pay £'000		Total fixed pay £'000		Total variable pay £'000		
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	
Executive Directors																			
1 Chris Weston	850	197	18	4	–	195	–	–	102	24	65	17	1,035	437	1,035	225	–	212	
2 Alastair Cochran	464	450	16	15	–	446	–	129	56	54	100	237	636	1331	536	656	100	675	
3 Julian Gething (fees payable to AlixPartners for provision of services)	468	–	–	–	–	–	–	–	–	–	–	–	468	–	468	–	–	–	
Independent Non-Executive Directors																			
4 Sir Adrian Montague – Chairman	350	254	–	–	–	–	–	–	–	–	–	–	350	254	350	254	–	–	
5 Nick Land	85	75	–	–	–	–	–	–	–	–	–	–	85	75	85	75	–	–	
6 Catherine Lynn	76	70	–	–	–	–	–	–	–	–	–	–	76	70	76	70	–	–	
7 Ian Pearson	80	70	–	–	–	–	–	–	–	–	–	–	80	70	80	70	–	–	
8 Aidan de Brunner	202	–	–	–	–	–	–	–	–	–	–	–	202	–	202	–	–	–	
9 Neil Robson	54	–	–	–	–	–	–	–	–	–	–	–	54	–	54	–	–	–	
10 Nirmal Kotecha	1	–	–	–	–	–	–	–	–	–	–	–	1	–	1	–	–	–	
11 Andrew McNaughton	1	–	–	–	–	–	–	–	–	–	–	–	1	–	1	–	–	–	
12 Adam Banks	1	–	–	–	–	–	–	–	–	–	–	–	1	–	1	–	–	–	
Independent Directors who resigned during 2024/25																			
13 Jill Shedden	35	70	–	–	–	–	–	–	–	–	–	–	35	70	35	70	–	–	
14 Hannah Nixon	73	70	–	–	–	–	–	–	–	–	–	–	73	70	73	70	–	–	
Shareholder Directors who resigned during 2024/25																			
15 Michael McNicholas	–	59	–	–	–	–	–	–	–	–	–	–	–	59	–	59	–	–	
16 John Holland-Kaye	53	70	–	–	–	–	–	–	–	–	–	–	53	70	53	70	–	–	
Total	2,793	1,385	34	19	–	641	–	129	158	78	165	254	3,150	2,506	3,050	1,619	100	887	

1 Chris Weston's remuneration for 2024/25 reflects base pay, benefits including a car allowance of £15k and private medical insurance. In addition, it includes a pension allowance of 12% of base pay. Chris also received a payment of £65k in lieu of the material remaining balance of his contractual annual leave entitlement, which, in order to lead the Company effectively through a very challenging financial year, he was unable to take. Chris' remuneration for 2023/24 was pro-rated to reflect his start date of 8 January 2024.

2 Alastair Cochran resigned from the Board on 27 March 2025 and left the Company on 31 March 2025. His remuneration for 2024/25 reflects the period from 1 April 2024 to 27 March 2025. It includes the previously disclosed payment of £100k for the loss of in-flight long-term incentives from previous employment. Alastair was not awarded any PRPP for the performance year 2024/25.

3 Julian Gething was appointed on 2 December 2024 in a newly created role as Chief Restructuring Officer, to provide specialist advice on the complex issue of balance sheet recapitalisation, and he became a Board member on 22 January 2025. He is not employed by TWUL, 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.

4 Sir Adrian's remuneration for 2023/24 was pro-rated from his start date of 10 July 2023 and there has been no change this year.

5 Nick Land's fee increased by £20k due to his membership of the Restructuring Committee.

6 Catherine Lynn's fee was increased by £10k (pro-rated for taking over as Workforce Engagement Lead Director from 1 September 2024).

7 Ian Pearson's fee was increased by £20k due to his membership of the Restructuring Committee. During the year, Ian was also appointed as Chair of the Remuneration Committee and stepped down as Workforce Engagement Lead Director.

8 Aidan de Brunner was appointed on 1 September 2024. The 2025 figure reflects the fees payable to Aidan in respect of his role as a Board Member from this date to 31 March 2025, which equates to £48k. He additionally receives a per diem fee for undertaking specialist services for the Company in relation to the restructuring of £154k.

9 Neil Robson was appointed on 2 October 2024. The 2025 figure reflects the fees payable to Neil in respect of his role as a Board Member from this date to 31 March 2025, which equates to £40k. He additionally receives a per diem fee for undertaking specialist services for the Company in relation to the restructuring of £14k.

10 Nirmal Kotecha was appointed on 28 March 2025.

11 Andrew McNaughton was appointed on 28 March 2025.

12 Adam Banks was appointed on 28 March 2025. The 2025 figure reflects the fees payable to Adam in respect of his role as a Board Member from this date to 31 March 2025. He additionally receives a per diem fee for undertaking specialist services for the Company in relation to cyber security.

13 Jill Shedden stepped down from the Board on 30 September 2024.

14 Hannah Nixon's fee increased by £20k due to her membership of the Restructuring Committee. Hannah stepped down on 3 March 2025.

15 Michael McNicholas stepped down from the Board on 16 May 2024 and waived his fees for 2024/25.

16 John Holland-Kaye stepped down from the Board on 31 December 2024.

2024/25 Remuneration continued

Executive Director Arrangements

Service Contracts: The Executive Directors have service contracts. There is no maximum or minimum service period for any of the Executive Directors.

Base salary: Base salaries are a fixed sum that is payable monthly in arrears. For the Executive Directors, these are reviewed every year, taking into account their individual performance, the external market and internal and external economic factors, with any changes taking effect from 1 July each year.

Performance-Related Pay: Our Performance-Related Pay Plan (PRPP) is designed to motivate and incentivise the Executive Directors to achieve the Company's key customer, environmental and financial priorities over time. The maximum opportunity is 240% of base salary for Executive Directors.

The PRPP 'Base Award' is 60% of the award and is payable at the end of the relevant performance year, and is reported in the Single Figure Table (above). It is determined by a scorecard of measures that are selected annually to align with the business strategy and the key drivers of performance as set under the regulatory framework. Targets are set to deliver stretching performance for customers and other stakeholders, considering the operating environment and business priorities, as well as customer, shareholder, and regulatory expectations.

The remaining 40% "Deferred Award" is deferred for a two-year period and its release to participants remains conditional on their continued employment. Deferred Awards are additionally subject to a performance multiplier (of between 0.75x and 1.25x) based on progress against the Turnaround Plan over the deferral period.

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.

Long Term Incentive Plan: There is no long-term incentive plan currently in place. As previously reported, the Committee resolved to facilitate the transition to the new PRPP by providing payments aligned with the previous LTIP structure. Payments equivalent to 50% of the maximum will be made, with payment for the 2021-24 period pro-rated to 1/3rd and was paid in July 2024. For the period of 2022-25, 2/3rds will be paid in July 2025.

Pension: The Executive Directors are currently eligible to participate in our defined contribution pension scheme, with Thames Water making contributions up to a maximum of 12% of base salary, in line with the wider workforce. Executive Directors may choose to receive a cash allowance instead of these pension contributions.

Benefits: Executive Directors benefits include private medical insurance and a car allowance.

Chris Weston – Chief Executive Officer (audited)

Service Contract: Chris joined Thames Water on 8 January 2024 as Chief Executive Officer. His contractual notice periods are 6 months from the individual himself and 12 months from Thames Water.

Base Salary: Chris' base salary is £850,000 per annum. No salary increase has been awarded since Chris joined in January 2024. An increase of 3% has been agreed by the Board; this is lower than the 4% that will be applied to the majority of the workforce from 1 July 2025. This increases Chris' base salary to £875,500 per annum, effective from 1 July 2025.

Performance-related Pay: Chris has not been awarded any performance related-pay for the 2024/25 performance year, in line with the Water (Special Measures) Act, PRP Prohibition Rule. Chris is entitled to receive a deferred payment relating to the 2023/24 performance year in July 2026. This payment is under review given the PRP Prohibition Rule. Details of the 2023/24 PRP can be found in the 2023/24 Annual Report. The Remuneration Committee will meet in September to give full consideration to the Rule.

Long-Term Incentive Plan: Chris is not eligible for any payments under the legacy Long-Term Incentive Plan.

Pension: Chris has elected to receive a cash allowance of 12% of base salary.

Benefits: Benefits of £18,000 relate to private medical insurance and car allowance. Chris also received a payment in lieu of the material remaining balance of his contractual annual leave entitlement, which, in order to lead the Company effectively through a very challenging financial year, he was unable to take. This is reflected in the Single Total Figure of Remuneration table on the previous page.

Management Retention Plan: Chris is not currently enrolled in the retention plan; he was offered the MRP at the same time as the other participants but decided not to join the plan. For the avoidance of doubt, Chris has not received a payment.

Alastair Cochran – Chief Financial Officer (audited)

Service Contract: Alastair joined Thames Water on 6 September 2021 and resigned from the Board on 27 March 2025. He left the Company on 31 March 2025.

Base Salary: Effective 1 July 2024, Alastair's base salary was increased by 4% to £468,000, which was slightly lower than the 4.2% increase awarded to front-line colleagues.

Performance-Related Pay: Alastair was not awarded any PRPP for the performance year 2024/25. Details of the 2023/24 PRP can be found in the 2023/24 Annual Report. Alastair is not entitled to the deferred payment deriving from the 2023/24 PRP plan.

Pension: Alastair elected to receive a cash allowance of 12% of base salary.

Benefits: Benefits of £16,000 per annum related to private medical insurance and car allowance.

Additional Compensation: As disclosed in our previous Annual Report, as part of Alastair's offer of employment, Thames Water committed to make payments to compensate for in-flight long-term incentive awards, which were forfeited when he left his previous employer. Alastair received the final payment of £100,000 due under this arrangement in July 2024.

2024/25 Remuneration continued

Steve Buck – Chief Financial Officer

Service Contract: Steve joined Thames Water on 7 April 2025 as Chief Financial Officer. His contractual notice periods are 6 months from the individual himself and 12 months from Thames Water. Steve's notice period is aligned with that for the CEO. The Committee exercised its discretion to vary the Directors' Remuneration Policy to accommodate this decision, which, by ensuring that the Company was able to recruit a CFO of the necessary calibre and ensure leadership stability at this time, was considered to be in the best interests of all stakeholders.

Base Salary: Steve's base salary is £500,000 per annum and has been set at a level that the Committee regards as appropriate for the size and scope of the role.

Performance-Related Pay: Steve was not eligible for and has not been awarded any performance-related pay for the 2024/25 performance year.

Long Term Incentive Plan: Steve is not eligible for any payments under the legacy Long-Term Incentive Plan.

Pension: Steve is eligible to participate in our defined contribution pension scheme, with Thames Water making contributions up to a maximum of 12% of base salary. Steve has elected to use 2% as a contribution to his pension and to receive a cash allowance of the remaining 10% of base salary.

Benefits: Benefits of £15,000 per annum relate to private medical insurance and car allowance.

Additional Compensation: As part of Steve's offer of employment, Thames Water agreed to make a one-off payment of £25,000 as compensation for expenses incurred through the onboarding process. There will be no payments made to Steve as compensation for the loss of in-flight awards forfeited by Steve on joining Thames Water.

Management Retention Plan: As part of Steve's offer of employment, Thames Water agreed that he would receive a retention payment in June 2026, subject to his continued employment. However, Steve's payment is also now on hold as part of the general pause of the Management Retention Plan (MRP), whilst the Committee gives full consideration to Ofwat's prohibition rule.

Julian Gething – Chief Restructuring Officer (audited)

Service Contract: Julian is employed by AlixPartners and he started providing advice to Thames Water on 2 December 2024 as Chief Restructuring Officer. He became a Board member on 22 January 2025.

Fees: Julian's fees as a Board member are £23k (£10k per month) and, in addition, £445k was paid for restructuring services. In both cases, the payments were made to AlixPartners and not to Julian.

Performance-related Payments and Benefits: Julian is not entitled to any other payments, nor benefits.

The Directors' Remuneration Policy provides the overall framework for Executive Director remuneration, within which the Committee determines the packages of Executive Directors. The remuneration of the CEO and CFO (both employees of TWUL) is so structured, but the engagement model for Julian is different – and is very unusual in the context of market norms (we are not aware of any precedent). Due to the exceptional circumstances in which TWUL is currently operating in, the Board acted to bring in appropriate skills to lead the recapitalisation plan and provide support in this highly specialised area. The requirement to move at pace and appoint an individual with significant relevant experience dictated the engagement model. Julian remains a Partner of AlixPartners; he is not employed by TWUL and is not remunerated by TWUL. TWUL pays professional fees at an agreed fixed monthly rate to AlixPartners in relation to Julian's role as a Director of TWUL. These professional fees are included in the Single Figure Table, but, for the avoidance of doubt, all sums shown as 'paid' to Julian are remitted to AlixPartners and not paid to Julian as remuneration. Julian is not eligible for employee benefits nor to participate in our performance-related pay plans, notwithstanding that these elements form part of our normal Policy. The Company and the Board are aware these fee arrangements sit outside the current Executive Director Remuneration Policy.

Performance-related Pay Plan 2024/25 (audited)

The Remuneration Committee's decision on the 2024/25 PRPP outcome is based on a comprehensive evaluation of several key factors. The decision making framework includes performance against the PRPP input scorecard, performance against output measures which is taking in to consideration in-year results, AMP-wide improvement and ODI penalties, and the strategic need to reward and retain top talent which is essential for delivering a complex Transformation plan. The Committee is also guided by Ofwat's requirement that variable pay must reflect overall performance. To support this process, business leaders presented updates on performance across customer, environment, and financial resilience outcomes.

Despite missing Ofwat targets for the four Turnaround plan commitments, the Company has achieved AMP-best results in leakage, supply interruptions, internal sewer flooding and blockage clearance. Water quality is slightly above the regulatory deadband, with progress being noted in the public health transformation programme. However, pollution performance remains the poorest in the AMP, exacerbated by high groundwater levels, and prompting a more detailed Pollution Incident Reduction Plan. As a result, the Remuneration Committee has applied downward discretion to the Environmental component of the PRP Plan.

In accordance with the Water (Special Measures) Act, the Company will not be making any Performance-related Pay Plan (PRPP) payments to the Executive Directors in relation to the 2024/25 performance year. However, in the interests of transparency, a summary of the Company's performance against the measures and targets set for the 2024/25 PRPP is set out below.

The Remuneration Committee assessed the outcome of the 2024/25 Performance-related Pay Plan (PRPP) measures to be as follows:

Customer	Customer Complaints (total number)	●
	C-SAT (Customer Satisfaction) (% score)	●
	DMA (District Metered Area) Operability (% of all DMA's)	●
	Mains replacement (km)	●
	Sewer Depth Monitors availability (%)	●
Environment	Public Health Transformation Plan (%)	●
	Certified FFT (Flow to Full Treatment) Meter Installations (number)	●
	Storm Overflow Availability (%)	●
	Wastewater Asset Assurance Plan (number)	●
	Total Net Energy (GWh)	●
Financial Resilience	Pre-exceptional EBITDA (£m)	●
	Cash Collection - current & prior year (%)	●
	Totex (Total Expenditure) (£m)	●
	Operating Cash Flow (£m)	●

● At or above stretch target

● Between target and stretch

● Below target

Of the fourteen measures above, five measures hit stretch, four were between target and stretch, and five were below target.

2024/25 Remuneration continued

Customer complaints (total number): Significant progress has been made in decreasing the number of complaints from our household customers. The most notable declines occurred in the Water and Wastewater sectors, which were attributed to a decrease in incidents and improved responses during major events. Reduction initiatives such as 'right first time', the introduction of the Billing Escalations team, and the re-writing of training modules have all contributed to the reductions seen this year. Additionally, the implementation of virtual technicians to assist in diagnosing issues has proven effective.

This reduction has been achieved, notwithstanding price rise communications and the subsequent higher-value bills received by customers in February and March 2025.

C-SAT (score): Customer feedback highlighted resolution rates in the high bills and customer-side leakage journeys as the main causes of dissatisfaction. The score was tracking well in the first six months of FY25, but fell in the latter part of the year, as a result of the meter-read backlog rectification programme, price rise communications and higher-value bills being received by customers during the annual billing period, as well as the impact of some operational incidents such as the supply interruption at Crystal Palace. We have undertaken a root-cause analysis for repeat contacts and will review specific customer journeys to improve communication with customers and proactively provide information.

Note: C-SAT is different from C-MEX. The former is our internal tracker of satisfaction, while the latter is a formal survey conducted by Ofwat, which informs the penalty that we pay for our performance.

District Metered Area (DMA) operability (% of all DMAs): There has been a continued improvement to DMA Operability throughout the financial year, achieving more than our target. We have delivered more district meter exchanges this year, which is contributing to the increase in the metric. This increase is due to our focus on district meter exchanges, along with the provision of additional leakage turnaround funding.

Mains replacement (km): This year we delivered 20% more kilometres of mains replacement than our internal target, following implementation of the recovery plan to increase kilometres in London.

Sewer depth monitors (availability): We have seen an improvement in our asset availability over the course of the year, measured against our internal target. Key workstreams that have driven improvements include closer contractor performance and oversight, improved installation and commissioning processes and improved data management and analysis, along with additional contractor resources to meet the demand.

Public Health Transformation Plan: Our turnaround plan for drinking water quality, has had strong delivery through the year, ending on a 100% completion of the agreed actions. Despite achieving our second-best performance in the AMP for CRI (water quality), our performance has deteriorated marginally compared to last year's record performance. Some aspects of the plan have proved challenging, such as tank inspections, but these have still shown good progress from last year and have been offset by our performance in our employee competency and assurance programmes, which have enabled us to exceed our internal stretch target. The plan continues into the FY26 and will incorporate new measures to continue to stretch and adapt to our risk profile.

Certified FFT meter installations: We achieved slightly fewer outputs overall against our target. There were several installations that were due to be completed as part of wider synergy schemes, and over the year, these have slipped out to AMP8, as previously reported. The Sewage Treatment Works monitoring team have triaged the single-solution AMP8 outputs and accelerated as many as possible into AMP7, but missed the target.

Storm overflow availability: Percentage of Event Duration Monitors (EDMs) measuring storm discharges to the environment, with equal to, or, greater than, 90% data availability. Our 2024 figure of 93.2% (per our annual return to the Environment Agency, published on 27 March 2025) puts Thames Water among the top performers for this measure and is a significant improvement on our 2023 performance. Targeted improvements in data quality checks and monitor performance were made throughout 2024.

Wastewater Asset Assurance Plan: Over half of our sites delivered against target. The remaining sites were unable to be completed for a variety of reasons, including operational issues, supplier availability, health and safety risks and contractor performance.

Total net energy: The year-end total net energy, missed its target. The variance is largely due to the generation variance, which accounts for 96% of the total, namely the loss of Beckton Sludge Power Generation (an unexpected overhaul from May to November), lower Crossness Combined Heat and Power generation (Thermal Hydrolysis Plant Digester issues) and other generation issues caused by low biogas made from our digesters.

Pre-exceptional EBITDA (not publicly disclosed): Performance has exceeded target and stretch this year due to several factors, namely:

- Better revenue performance than budgeted due to favourable consumption, fewer broken periods, improved vacancy rates and fewer de-registrations, which has been partially offset by higher provisioning for surface water drainage and higher social tariffs. Better OpEx performance than budgeted due to lower full time equivalents onboarded, favourable electricity prices consumption and release of centrally held contingency, which more than counters increased costs through wet weather incidents and delays in planned cost-savings.
- Better capital income performance than expected, due to Strategic Resource Options income and higher mains and service connections within Developer Services.

Cash Collection (current and prior year): We were marginally behind the full year budget. Overall, the cash collection rate has been impacted adversely by higher billing and opening debt, which was offset by higher cash and favourable credits.

Totex (£m): Performance has exceeded target this year, due to the favourable EBITDA mentioned previously, along with lower capital spend driven by re-scheduling/timing of projects as a result of schedule changes, contractor performance, change in strategies and contracting.

Operating cashflow: Metric is on an underlying basis, excluding exceptional items. Performance has exceeded Stretch, due to a favourable EBITDA against budget and favourable working capital movements.

Payment for loss of office (audited)

Alastair was paid £297,130 in lieu of his entitlement to 6 months' notice (including contractual benefits for pro-rated untaken annual leave). In addition, Alastair was paid £300,000 in respect of the LTIP transition payment and £380,000 as a payment for loss of office. In determining the payments to be made to Alastair for loss of office, the Nominations Committee recommended to the Board that discretion be exercised to include the final LTIP transition payment due to be paid in July 2025. The LTIP transition payment is not subject to the Water (Special Measures) Act PRP Prohibition Rule given, amongst other reasons, the arrangement commenced prior to 1 April 2024. The company has decided that Alastair's payments for loss of office will not be customer funded.

Payments to past Directors (audited): There were no payments made to past directors in 2024/25 that are not disclosed elsewhere in this report.

2024/25 Remuneration continued

Workforce Engagement

A full update from Catherine Lynn, our designated Workforce Engagement Lead Director, is available on page 61.

The Remuneration Committee invites the People Director to present proposals for the annual salary review for managers and employees (including the Executive Team) each year. The Committee takes into account remuneration arrangements for the wider employee population when approving any salary increases and incentive payments for the Executive Directors. The Committee also reviews incentives across the Company to ensure alignment with Purpose, values and culture.

Summary of remuneration policy across the wider Group

The Remuneration Committee considers the salary increases and remuneration arrangements for the wider employee population when approving the salary increases and remuneration arrangements for the Executive Directors. For other Executive team members, the Committee reviews and approves all performance related incentive elements.

During the year, the Committee received periodic updates on wider workforce remuneration matters in line with the UK Corporate Governance Code 2018.

In partnership with our Trade Unions, we conducted a detailed pay review for our front-line colleagues. This resulted in the following:

- A 4.2% consolidated and pensionable increase to base salaries, agreed in June and effective from 1 July 2024, for all eligible Grade A and B frontline colleagues.
- This also included colleagues who were “red circled” i.e. above the top of their pay bands.
- Increases in overtime rates in line with base salary increases.
- A 4.2% increase to standby and call-out allowances, also effective from 1 July 2024.
- A guaranteed non-consolidated lump sum payment of £1,250 in lieu of the Grade A and B performance related incentive scheme for 2024/25 paid in July 2024.

A review was also conducted of our management population’s pay, which resulted in:

- Most Grade C colleagues receiving a base salary increase of between 3.5% and 5.3%, depending on where the individual was positioned within their pay band and based on a 4.2% budget effective 1 July 2024.

Ratio of CEO remuneration to workforce

This table shows the pay ratio between the CEO and Thames Water employees. For our employees, remuneration includes all elements such as overtime and benefits. The table below provides the ratio between the CEO single figure total remuneration and the median, 25th and 75th percentile total remuneration of all Thames Water’s full-time equivalent employees on 31 March 2025.

For 2024/25 the pay ratio calculation shows that in total remuneration terms, the CEO role earns 18 times that of the median employee. The Committee will keep the published pay ratio under review.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2025	Option A	24:1	18:1	14:1
2024	Option A	49:1	36:1	28:1
2023	Option A	43:1	32:1	24:1
2022	Option A	70:1	53:1	39:1
2021	Option A	34:1	25:1	18:1
2020	Option A	25:1	19:1	14:1

- Total remuneration reflects all remuneration including salary, benefits, employer pension contributions and variable remuneration.
- Of the three alternatives available for calculating the ratio, we chose to use Option A as it is considered to be the most accurate way of identifying employees at P25, P50 and P75. Under this approach we calculate total remuneration on a full-time equivalent basis for all of our employees as at 31 March 2025 and rank them accordingly.
- No adjustments have been made to the calculation of the total remuneration for these employees from the methodology set out for the CEO’s single total figure remuneration.

Here are the total pay and benefits for the employees at the 25th, 50th and 75th percentiles and the salary component of total pay and benefits for these employees:

Year	Method	Lower Quartile	Median	Upper Quartile
2025	Salary (£)	£32,543	£43,113	£54,177
	Total Pay and benefits (£)	£39,656	£53,723	£68,330

Percentage change in remuneration of Directors and employees

The table below shows the percentage change in remuneration, annualised where appropriate, over the last five financial years, for everyone who was a Director during 2024/25 and for the average of all other Company employees. Former Directors who were not a Director at any point during 2024/25 have not been included. The percentage changes in their remuneration for prior years (and in which they were a Director) are disclosed in relevant previous Annual Reports.

	Percentage change 2019/20 to 2020/21			Percentage change 2020/21 to 2021/22			Percentage change 2021/22 to 2022/23			Percentage change 2022/23 to 2023/24			Percentage change 2023/24 to 2024/25			
	Base salary/Fee	Taxable benefits and pensions	Annual Bonus	Base salary/Fee	Taxable benefits and pensions	Annual Bonus	Base salary/Fee	Taxable benefits and pensions	Annual Bonus	Base salary/Fee	Taxable benefits and pensions	Annual Bonus	Base salary/Fee	Taxable benefits and pensions	Annual Bonus	
Executive Directors																
Chris Weston ¹	n/a	n/a	n/a	n/a	0%	4.3%	n/a									
Alastair Cochran ²	n/a	n/a	n/a	n/a	n/a	n/a	0%	-0.4%	-100%	0%	0%	100%	3.0%	2.9%	n/a	
Chairman																
Sir Adrian Montague ³	n/a	n/a	n/a	n/a	0%	n/a	n/a									
Non-Executive Directors																
Nick Land ⁴	0%	n/a	n/a	26.7%	n/a	n/a										
Catherine Lynn ⁵	0%	n/a	n/a	8.6%	n/a	n/a										
Hannah Nixon ⁶	n/a	n/a	n/a	0%	n/a	n/a	0%	n/a	n/a	0%	n/a	n/a	28.2%	n/a	n/a	
Ian Pearson ⁷	0%	n/a	n/a	28.6%	n/a	n/a										
Jill Shedden ⁸	0%	n/a	n/a													
Michael McNicholas ⁹	0%	n/a	n/a	-100%	n/a	n/a										
John Holland-Kaye ¹⁰	n/a	n/a	n/a	0%	n/a	n/a										
Aidan de Brunner	n/a	n/a	n/a													
Neil Robson	n/a	n/a	n/a													
Nirmal Kotecha	n/a	n/a	n/a													
Andrew McNaughton	n/a	n/a	n/a													
Adam Banks	n/a	n/a	n/a													
TWUL Employees																
All	2.6%	10.0%	0.3%	2.8%	0.7%	22.5%	9.5%	-18.1%	-40.4%	8.0%	3.0%	133.3%	5.8%	7.4%	133.3%	

Notes:

- 1 Chris Weston’s salary was pro-rated last year based on his start date of 8 January 2024. He has not had an increase in his FTE base salary during the year
- 2 Alastair Cochran’s salary was increased by 4% effective from 1 July 2024. This was reported in last year’s report.
- 3 Sir Adrian’s remuneration for 2023/24 was pro-rated from his start date of 10 July 2023 and there has been no change this year.
- 4 Nick Land’s fee increased by £20k due to his membership of the Restructuring Committee.
- 5 Catherine Lynn’s remuneration was increased by £10k (pro-rated for taking over as Workforce Engagement Lead Director from 1 September 2024)
- 6 Hannah Nixon’s fee increased by £20k due to her membership of the Restructuring Committee. Hannah stepped down on 3 March 2025. The change in Hannah’s fees is based on an annualised figure for 2024/25.
- 7 Ian Pearson’s remuneration was increased by £20k due to his membership of the Restructuring Committee. During the year, Ian was also appointed as Chair of the Remuneration Committee and stepped down as Workforce Engagement Lead Director.
- 8 Jill Shedden stepped down on 30 September 2024. The change in Jill’s fees is based on an annualised figure for 2024/25.
- 9 Michael McNicholas stepped down in May 2024 and forfeited his fees for 2024/25.
- 10 John Holland-Kaye stepped down on 31 December 2024.

Non-Executive Directors are not eligible for benefits or annual bonus.

2024/25 Remuneration continued

Ten-year Chief Executive Officer's remuneration

The table below shows the total remuneration earned by the CEO (based on the single total figure of remuneration) in each of the respective last 10 years, along with the percentage of maximum opportunity earned in relation to the Performance Related Pay Plan (PRPP).

	Total Remuneration £000's	Amb Outcome % of maximum (from 2023/24, replaced by Performance Related Pay plan (PRPP))	LTIP outcome % of maximum
2024/25	1,035	–	N/A
2023/24 ⁽¹⁾	1,712	68.9%	N/A
2022/23	1,421	–	–
2021/22 ⁽²⁾	2,048	55%	–
2020/21 ⁽³⁾⁽⁴⁾	1,229	52%	–
2019/20 ⁽⁴⁾	196	–	–
2018/19 ⁽⁴⁾	780	–	–
2017/18 ⁽⁴⁾	745	–	–
2016/17 ⁽⁴⁾	740	–	–
2015/16	1,015	66%	–

Notes:

1 The total remuneration figure is the aggregate of Sarah Bentley & Christopher Weston who were both CEOs at different points in time during 2023/24 and the Interim Co-CEOs of Alastair Cochran and Cathryn Ross for the period 28 June to 7 January 2024. Alastair's figure is different to the Single Table Figure of Remuneration, as this figure only includes his time as an Interim Co-CEO. The figure therefore has a higher outturn as there were two Interim Co-CEO's in post for over 6 months. From 2023/24, no Long Term Incentive Plans are active as we have moved to the PRPP.

2 Sarah Bentley was not eligible for the LTIP.

3 There was no LTIP payment due in 2020/21.

4 Steve Robertson only received base salary and benefits in 2016 to 2020.

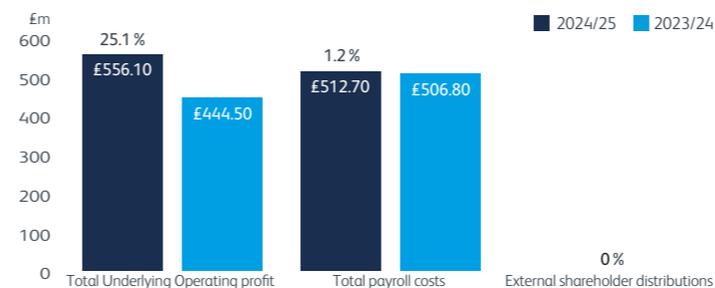
Dividends declared in 2024/25

The Company takes its commitments and obligations to customers and other stakeholders (including the environment, communities, employees and pension members) as a supplier of essential services very seriously.

Following credit rating downgrades which occurred following the announcement that the £500 million of new equity that had been anticipated by 31 March 2024 would not be provided, the Company is now operating under a cash lock-up in accordance with the terms of its licence. This restricts certain payments to associated companies, including dividends, without the prior approval of Ofwat. As such, no dividends were declared in FY25 and the dividend yield was therefore 0%.

Relative importance of spend on pay

Here is the change in total operating profit, external shareholder distributions and overall spend on pay for 2024/25:



We have chosen Total Underlying Operating Profit as the most relevant measure for Thames Water. The details of the 2024 underlying operating profit figure are available in the Financial Statements section of the annual report on page 104.

2025/26 Remuneration

Performance Related Pay Plan 2025/26

The Remuneration Committee remains committed to performance-related pay, which it considers to appropriately reinforce the performance culture required to underpin delivery for customers, communities, and the environment. Our remuneration policy serves to incentivise the Executive Directors to deliver the Company's transformation as quickly and effectively as possible; ultimately, driving long-term improvements that benefit customers and the environment.

The Company will retain the existing structure of PRPP for 2025/26, albeit with some changes to the measures and targets for the 2025/26 performance year (FY26), whilst also undertaking a comprehensive review of its approach to remuneration in the context of the Water (Special Measures) Act to ensure that the Thames Water Directors' Remuneration Policy remains fit for purpose and supports our ambition to succeed.

The aim of the PRPP is to:

- align with our key remuneration principles (as set out in the Directors' Remuneration Policy);
- ensure a clear and demonstrable link between pay and performance;
- support retention and motivation;
- balance customer, environment and financial resilience KPIs (and against which it is possible to set meaningful and robust targets);
- be neutral to AMP boundaries;
- align with shareholder value creation over the longer-term.
- A summary of how the PRPP operates is as follows:

Design Aspect	Approach for 2025/26	Comments
Base Award		
Maximum Opportunity for Executive Directors	240% of base salary	No change from 2024/25.
Target Opportunity Threshold	65% of maximum	
	0%-100% depending on performance against the targets set	This enables the Company to continue to motivate colleagues to deliver performance improvement when absolute targets are missed due to circumstances outside their control.
Scorecard	Customer (45%) Environment (35%) Financial Resilience (20%)	Captures multiple perspectives of performance aligned with the expectations of customers, stakeholders and shareholders. Scorecard composition (and measure weightings) has now been reviewed and the Customer and Environment measures together comprise at least 80% of the total incentive.
Pay-out Horizon	60% immediately, 40% deferred	

Design Aspect	Approach for 2025/26	Comments
Deferred Award		
Deferral Period	Two years	
Treatment	Deferred awards to accrue interest based on Bank of England base rate, less 1%, and are subject to a potential multiplier of 0.75x-1.25x	Assessed based on longer-term performance as articulated in the Transformation plan and agreed with key stakeholders. ¹
Clawback	Two years from the date the payment is awarded	The date of award is 1 April after the end of the performance period (i.e. for 2025/26 it is 1 April 2026).
Remuneration Committee Discretion	Overarching discretion to adjust the outcome ²	No change to current arrangements (and aligned with typical market practice).

¹ Assessment of performance against the Transformation Plan will be independently verified to provide further assurance to the Committee.

² The Committee retains absolute discretion to evaluate the outcome of the multiplier in the context of wider business performance, to ensure that PRPP outcomes reflect board assessment of performance 'in the round'.

Measures and Targets

Each year, targets for each measure are set to ensure that PRPP appropriately rewards:

- delivery against the Company's Integrated Business Plan (IBP);
- delivery against the Company's Transformation Plan;
- year-on-year performance improvement;
- progress towards Ofwat's performance expectations.

For the 2025/26 performance year, the Company is reducing the number of measures from 14 to 9 to enable each measure to have a higher weighting. The proposed measures focus on the critical performance inputs that can also be directly linked to the key output measures of C-MEX, pollutions, leakage, water quality and bad debt. They also focus more heavily on customer and environment, minimising financial measures (aligned to Ofwat's preference).

To ensure that the PRPP measures and targets are stretching, the Remuneration Committee has reviewed and provided feedback on each target before approval.

2025/26 Remuneration continued

The measures and targets for the financial year 2025/26 are:

Category	Category Weighting	Measure	Weighting Element as a % of Total Opportunity	Start-point (0% of PRPP payout)	Target	Stretch
Customer	45%	Total number of household complaints ¹	10.0 %	83,286	74,000	69,000
		Total number of Smart meters installed ²	10.0 %	153,571	200,000	225,000
		DMA Operability (% of all DMA's) ³	10.0 %	75.7%	85.0%	90.0%
		Public Health Transformation Plan ⁴	15.0 %	57.1 %	85.0%	100%
Environment	35%	Rising Mains (km) ⁵	10.0 %	7	13	16
		Planned Sewer Cleaning Delivery (km) ⁶	10.0 %	1,314	1,500	1,600
		WINEP Sites Delivery ⁷	15.0 %	11	44	62
Financial Resilience	20%	Directly Billed Cash Collection ⁸ (aggregated current year and prior year)	10.0 %	77.9%	79.8%	80.8%
		Totex (£000) ⁹	10.0 %	£4,532,314	£4,370,000	£4,282,600

Notes for measures and targets in the table above:

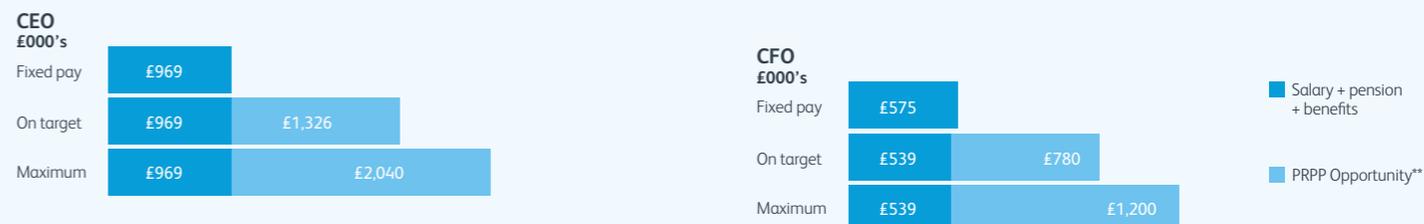
- 74k target is an 11% reduction from the 83k current target and 'flat' vs the forecast 70-75k year-end out turn (69k stretch target would be 17% reduction). Recent significant price rises will continue to drive increased complaints volumes in Year 1 - billing run rate in February (driven by price rise) would mean a YoY increase in complaints, so 'standing still' vs. a 70-75k forecast for this year is a stretching target
- We are proposing 200k on target and 225k stretch (160k is the WRMP target). We are putting in place further stretch targets, but the focus will be on delivering leakage impact and there are risks to supply chain and digital delivery on new systems to support. These have maximum penalties of £47m for late delivery of the programme and a claw back mechanism of £129m in addition to the FD allowance for non-delivery.
- This is a quality measure to ensure that accurate leakage figures are calculated. It is based on the percentage of all DMAs (District Metering Areas - how we group a number of properties – there are 1,800 DMAs across Thames Water). Operability is a quality assurance calculation that gives our teams confidence in the leakage data being calculated for the operational area. This is to aid in the effective targeting of leakage to our leakage detection teams in the field. DMA Operability is a key measure for OFWAT. We are increasing the Target to 85% and stretch to 90%. This measure remains critical to our leakage drive and stretching it and importantly maintaining it are critical. Our overall goal is to achieve 92% availability by March 2027.
- The percentage completion of our Public Health Transformation Plan as measured by our dashboard which groups together progress on a range of initiatives. This is our improvement plan for water quality. We propose to keep the targets where they are with target at 85% and stretch at 100%. For 2024/25 we are forecasting to reach stretch. The plan has several dependencies across both AOCD, the supply chain and across into training which make pushing it further hard to justify.
- This is a new target and represents a key a component of the Pollution Incident Response Plan targeting reducing network pollutions. Both the target (13km) and stretch (16km) are more than what we delivered in 2024/25 with an 8km target.
- Planned Sewer cleaning is important to our drive to reduce our pollutions, as planned cleaning at "high risk" assets has a proactive impact in reducing pollutions. We have set the target at 1,500km as this is the target which is defined within the Lanes Group commercial agreement. Historically, we have not typically exceeded this level of planned sewer cleaning, only doing so in the final period of last financial year – for the first time in at least 10 years. Additionally, a stretch target of 1,600km has been set, representing a further challenging step up.
- The primary role of the WINEP is to provide information to water companies on the actions they need to take to meet the environmental legislative requirements that apply to water companies in England. This is therefore a major mechanism for measuring performance against our environmental targets and is key to ensuring our regulatory compliance in AMP8. For Thames Water, the baseline target is to complete 15 WINEP7 schemes and 29 WINEP8 (AMP8) schemes by the end of AMP8 Year 1 (44 in total). These will be deemed complete when benefit against the WINEP7 driver has been provided by the scheme and signed off by Engineering ready for submission to the EA (noting the scheme itself may have other elements which may be delivered later). Our stretch target is to complete a further 6 WINEP7 schemes and a further 12 WINEP8 (62 schemes in total) by the end of Year 1. This is 20% of the schemes currently forecast to complete in the following year (AMP8 Year 2).
- The methodology for measuring cash collections is a combined percentage across 24/25 and 25/26. This allows for the timing of billing and collection and reflects the impact prior year collections have. Cash collection is a leading indicator for bad debt % of revenue and a driver that is tracked monthly by our finance teams and audited. The target was our budget number which is itself is stretching to achieve our IBP commitments.
- This is net opex plus capex as reported in the Company's management accounts.

Performance Related Pay Plan Grades A&B

We are introducing an aligned PRPP with a Target payment of 3% of base salary and a maximum payout of 6% of base salary for grade A colleagues and 5% and 10% respectively for grade B colleagues. It will have the same basic construct as the previously described PRPP, including targets, though there will be specific divisional targets for our Retail and Asset, Operations & Capital Delivery (AOCD) colleagues.

CEO & CFO 2025/26 Remuneration

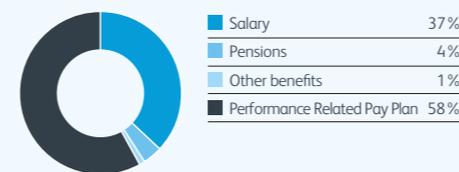
Possible outcomes under the Remuneration Policy*



* Fixed pay is the minimum payable, and is made up of base pay for 2025/26, pension allowance and benefits. For incentive opportunity, the maximum performance results in the maximum of 240% of base pay. On target performance results in 65% of maximum payment. 60% of any earned incentive payment is made in July 2026, with the remaining 40% being deferred for two years and with any payment being subject to a multiplier of 0.75 to 1.25x, based against performance against our Turnaround Plan. This is not reflected in the bar chart above.

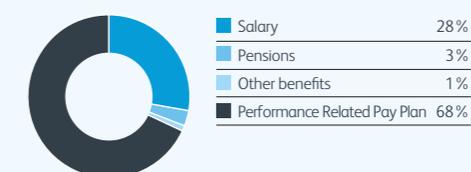
** All Executive incentives at Thames Water are cash awards. As such, the above chart does not include any impact of share price on the potential value of the package over the deferral period.

Elements of CEO and CFO remuneration 2025/26 'on target' scenario*



* Based on CEO base salary of £850,000 and CFO base salary of £500,000.

Elements of CEO and CFO remuneration 2025/26 'maximum' scenario*



Remuneration Committee

Members and attendance

The Remuneration Committee (RemCo) is chaired by Ian Pearson who succeeded Jill Shedden. Jill stepped down in her role as Chair in September 2024. The Committee is made up of Independent Non-Executive Directors and their attendance of the Committee during the year is shown below:

	May 24	Jun 24	Sep 24	Nov 24	Dec 24	Mar 25	Total Standard Meetings	Total Non-S Meetings	Total Meetings
Remuneration Committee	Standard	Standard	Non-Standard	Non-Standard	Standard	Non-Standard			
Sir Adrian Montague	✓	✓	✓	✓	✓	✓	3	3	6
Ian Pearson	✓	✓	✓	✓	✓	✓	3	3	6
Nick Land	✓	✓	✓	✓	✓	✓	3	3	6
Michael McNicholas <small>Resigned from the Board on 16 May 2024</small>	✓	●	●	●	●	●	1	0	1
Jill Shedden <small>Resigned from the Board on 30 September 2024</small>	✓	✓	✓	●	●	●	2	1	3
Neil Robson <small>Appointed to the Committee on 4 December 2024</small>	●	●	●	●	●	✓	0	1	1

Attendance
 Apologies
 Not a Committee Member at that Date

Consideration of the views of other stakeholders

Thames Water is a private organisation, from May 2024 the Company has had no external shareholder representation on the Board and its Committees (including the Remuneration Committee). The Committee reviews executive remuneration at Thames Water in the context of developments in the wider remuneration governance landscape, including trends in generally accepted best practice, the views of the wider investment community and their representative bodies, as well as those of our regulator, Ofwat.

We also engage throughout the year with other stakeholders such as the Customer Challenge Group, non-governmental organisations (NGOs) and community groups, on what is important to them. This input helps form our views when setting performance targets each year.

The role of the committee

The role of the Committee is to make recommendations to the Board regarding the remuneration strategy and framework so that the Executive Directors and senior management, including the Executive Team, are appropriately rewarded for their contribution to Thames Water's performance. The Committee applies good corporate governance by considering regulatory requirements, the UK Corporate Governance Code and any corporate governance principles issued by our regulator, Ofwat.

The Committee is responsible for setting remuneration policy and practices that are designed to support the Company's Purpose and its strategy, and to promote the long-term success of Thames Water whilst following the below principles:

- Clarity – remuneration arrangements are transparent and promote effective engagement with stakeholders and Thames Water colleagues
- Simplicity – remuneration structures are uncomplicated with easy-to-understand rationale and operation
- Risk – reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans are identified and mitigated
- Predictability – the range of possible values of rewards to executive directors are identified and explained at the time of approving the policy
- Proportionality – the link between individual awards, the delivery of strategy and the long-term performance of Thames Water is clear and help to ensure that outcomes do not reward poor performance
- Alignment to culture – incentive schemes drive behaviours consistent with Thames Water's purpose, values and strategy.

The Committee's activities cover a range of subjects including design, pay planning and implementations and succession planning.

Support to the Committee

To ensure that Thames Water's Remuneration Policy and its implementation reflects best practice, the Committee is supported by an independent, external remuneration advisor. In FY25, the Committee was supported by Ellason LLP, following Ellason's appointment to that role in March 2023 by the Committee.

Ellason is an independent consulting firm specialising in the provision of advice in the field of executive remuneration. Ellason is a member of the Remuneration Consultants Group, and a signatory to its Code of Conduct for consultants to remuneration committees of UK companies (please see www.remunerationconsultantsgroup.com for details). Ellason reports directly to the Committee Chair and provides objective and independent analysis, information, and advice on all aspects of executive remuneration and market practice, within the context of the objectives and policy set by the Committee. In FY25, this included pay benchmarking and support on the design and implementation of performance-related programmes.

A representative from Ellason typically attends Committee meetings. Ellason does not provide any other services to the Company or other Board sub-committees, nor does it have any relationships with the Company or its directors beyond those formed in its capacity as appointed advisor to the Committee. The Committee shall keep under review Ellason's involvement and will regularly evaluate its independence, considering any other relationships that Ellason has with the Company that may limit its independence. To date, the Committee is satisfied that the advice provided by Ellason is objective and independent.

Ellason's fee structure is competitive and is based on both an hourly and project-based rate. The total amount paid to Ellason in FY25 was £45,800 (excluding VAT).

The CEO and People Director also attend meetings at the Committee's invitation to provide input, advice and respond to specific questions. Such attendances specifically exclude any matter concerning an individual's own remuneration. The Company Secretary or their delegate acts as secretary to the Committee.

The Remuneration Committee report was approved by the Board on 14 July 2025, and signed on its behalf by Ian Pearson, Chair, Remuneration Committee.

Non-Executive Directors

Non-Executive Directors' service agreements

The Chairman and Independent Non-Executive Directors have an agreement for service for an initial three-year period which can be terminated by either party with no notice period. Shareholder-appointed Non-Executive Directors are appointed with no fixed end date to their contract and are appointed and terminated without notice by the shareholders of the Company in line with the Shareholder Agreement. The dates of the service contracts for the Non-Executive Directors who served during the year are set out below:

Name	Initial Start Date of Contract	End Date of Contract	Actual End Date
Chairman			
Sir Adrian Montague	10/07/2023	09/07/2026	
Independent Non-Executive Directors			
Nick Land ⁽¹⁾	06/02/2017	31/01/2026	
Catherine Lynn ⁽²⁾	28/11/2018	27/11/2027	
Hannah Nixon ⁽³⁾	14/01/2021	13/01/2027	03/03/2025
Ian Pearson ⁽⁴⁾	01/09/2014	31/01/2026	
Jill Shedden ⁽⁵⁾	01/10/2018		30/09/2024
Aidan De Brunner	01/09/2024	31/08/2027	
Neil Robson	02/10/2024	01/10/2027	
Adam Banks	28/03/2025	27/03/2028	
Andrew McNaughton	28/03/2025	27/03/2028	
Nirmal Kotecha	28/03/2025	27/03/2028	
Non-Executive Directors			
Michael McNicholas	01/07/2019	*	16/05/2024
John Holland-Kaye	01/04/2023	*	31/12/2024

Notes:

* Shareholder-appointed Non-Executive Directors are appointed with no fixed end date to their contract

Details of resignations are on page 55 (within the Corporate Governance section)

(1) Nick Land's contract was extended by a year.

(2) Catherine Lynn's contract was extended by three years.

(3) Hannah Nixon stepped down on 3 March 2025.

(4) Ian Pearson's contract was extended by a year and then a further four months.

(5) Jill Shedden stepped down on 30 September 2024.

Chairman and Non-Executive Directors annual fees

The fees for each Non-Executive Director role, which remain unchanged as at 1 July 2025, are:

Directors Fees	Effective 1 July 2025	Effective 1 July 2024
Chair	£350,000	£350,000
Director	£50,000	£50,000
Restructuring Committee	£20,000	£20,000
Chair of ARRC	£15,000	£15,000
Chair of other committees*	£10,000	£10,000
Serving on a Committee*	£10,000	£10,000
Workplace Engagement Lead	£10,000	£10,000

* Note: One fee, irrespective of number of committees

Appendix: Directors' Remuneration Policy

Remuneration Framework

The Directors' Remuneration Policy will be reviewed in alignment with the Ofwat PRP rules/guidance once enacted.

The overarching remuneration framework is designed to offer an appropriate mix of fixed and performance-related pay which, as a total remuneration package, attracts, retains and motivates talented senior leaders to deliver great outcomes for our customers, shareholders and other stakeholders. At the same time, the total remuneration package is designed to offer a balance between incentivising appropriate risk-taking with careful stewardship.

Fixed Remuneration

The table below breaks down the policy that applies to Executive Directors (and, in doing so, also applies to other Executive team members).

Element of remuneration	Operation	Maximum opportunity	Performance conditions
Base salary Purpose and link to strategy Attracting and retaining Executive Directors and senior executives of the calibre required to deliver our strategy and turnaround plan. Base salary reflects the scope and responsibilities of the role and the skills and experience of the individual.	<p>Base salaries reflect the scope and responsibilities of the role and the skills and experience of the individual as well as the external market. Base salaries are paid in cash.</p> <p>Base salaries are reviewed annually by the Committee, considering individual performance, the external market and internal and external economic factors. Changes are usually effective from 1 July.</p> <p>Individual adjustments may be applied where the Committee considers this to be necessary due to one or more of the following factors:</p> <ul style="list-style-type: none"> where role scope has changed or as part of salary progression (for newly appointed Executive Directors) where market conditions indicate a level of under-competitiveness in the context of an Executive Director's performance and/or contribution, or there is considered to be a risk in respect of attracting and retaining Executive Directors. 	<p>There is no maximum salary increase. However, annual salary increases will not normally exceed average increases for the wider workforce.</p> <p>Committee Discretion Where the Committee exercises its discretion, it may recommend salary levels below the market reference salary at the time of appointment, with the intention of bringing the salary levels in line with the market as the individual gains the relevant experience. In such cases, subsequent increases in salary may be higher than the general rises for employees until the target positioning is achieved.</p>	None
Benefits Purpose and link to strategy Supporting health and wellbeing to enable the Executive Directors to focus on delivering performance for key stakeholders and to provide a competitive package of benefits that is aligned with market practice.	<p>The Company provides a range of market competitive benefits to Executive Directors that is aligned with that offered to our managers more widely, including (but not limited to) a car allowance, private medical insurance, life assurance and where appropriate relocation and housing costs.</p> <p>The Committee recognises the need to maintain suitable flexibility in the benefits provided to ensure it can support the objective of attracting and retaining executives to deliver our strategy.</p>	<p>Benefits will be provided at a rate commensurate with the market and the level that is offered to employees.</p> <p>The value of benefits is based on the cost to the Company and there is no pre-determined maximum limit. The range and value of the benefits offered is reviewed periodically in line with benefits of other employees at least every three years.</p>	None
Pension allowance Purpose and link to strategy Attracting and retaining high calibre Executive Directors through the provision of cost-effective saving benefits for retirement, aligned to the workforce.	<p>Participation in our defined contribution pension scheme or cash payments in lieu of pension contributions payable in monthly instalments during the year, directly to the individual or into their pension scheme.</p>	<p>For Executive Directors the Company contribution to a pension scheme and/or cash allowance will be up to a maximum of 12% of base salary, in line with the level of contribution offered to the wider workforce.</p>	None

Appendix: Directors' Remuneration Policy continued

Performance-Related Pay

The total remuneration package is designed to make sure that a significant portion of the maximum opportunity for any Executive Director is at risk if key performance targets are not met. The design of the remuneration package means that most of the total remuneration opportunity is dependent upon performance and delivered over a short- to medium-term horizon.

The aggregate maximum incentive opportunity that shall be eligible to be awarded in any year to an Executive Director from Performance-Related Pay shall not exceed 240% of salary.

Clawback and Malus Provisions

Clawback and malus provisions apply to the Executive Directors' performance-related pay arrangements. The Committee has discretion to reclaim or claw back some (or all) of the awards paid out to individuals for up to two years following payment. Circumstances in which the Committee may apply clawback include, but are not limited to, a material misstatement, any error in the calculation of an award or an error in the underlying results that leads to an overpayment arising under any performance related element, or material misconduct. The application of malus provisions will normally occur prior to a final decision on performance-related pay being made, with the Committee having discretion to reduce any performance-related payment due by an amount it believes reasonable (including reducing any due payment to zero).

Approach to recruitment remuneration

The Committee and Board approve the remuneration to be offered to Executive Directors on recruitment. The remuneration package offered will be in line with the market and will be no more than is necessary to attract appropriate candidates to a role. Any new Executive Director's remuneration would include the same elements, and be subject to the same limits, as those for existing Executive Directors.

Element	Policy and Operation
Base salary	Salaries are set by the Committee taking into consideration factors including the current pay for other Executive Directors, the experience, skill, and current pay level of the individual and the external market.
Benefits	The Committee will offer a benefits package that is competitive in the external market and in-line with the workforce.
Pension	Maximum contribution in line with our policy.
Performance Related Pay	On-target and maximum opportunities will be set in line with the Company's policy for existing Executive Directors, and in the first year will be prorated to the number of working days worked during the plan year, typically with a minimum threshold of three months service in line with scheme rules.
Buy-out awards for forfeited remuneration	At the discretion of the Committee, additional payments may be made to a new Executive Director, to replace forfeited remuneration opportunities and/or awards when leaving a previous employer. In determining the structure and level of any 'buyout' award, the Committee will take account of relevant factors including any performance conditions attached to forfeited awards, the likelihood of the awards vesting and the form and timing of the awards. The Committee will typically seek to make buy-out awards on a comparable basis to those that have been forfeited. In exceptional circumstances, the Committee may grant a buy-out award under a structure not included in the policy but that is consistent with the principles set out above.
Internal Promotion	In the case of an internal appointment, any pay element awarded in respect of the prior role would be allowed to pay out according to the terms on which it was originally granted.
Relocation	Assistance may include (but is not limited to) removal and other relocation costs, housing, or temporary accommodation.

Policy on payments for loss of office

The following table sets out the key features of the service contracts and treatment of payments in the event of loss of office for Executive Directors. It also applies (on a consistent basis) to other Executive team members. In addition, the Committee retains the discretion to settle any other amount reasonably due to the Executive Director, for example to meet legal fees incurred by the Executive Director in connection with the termination of employment.

Change of control

The default treatment of performance-related awards upon change of control is set out below.

Element	Policy and Operation
Notice periods in Executive Director contracts	<p>12 months from the Company, 6 months from the CEO.</p> <p>6 months from the Company, 6 months from the CFO.</p> <p>Executive Directors may be required to work during the notice period or may be provided with pay in lieu of notice or placed on "garden leave" at the discretion of the Company.</p>
Termination payments	<p>Any payment as compensation for loss of office will be made at the complete discretion of the Board on recommendation from the Committee.</p> <p>If the Company wishes to terminate an Executive Director's contract, other than in circumstances where the Company is entitled to summarily dismiss an Executive Director, it is required to give the agreed amount of notice (see above) or make a payment in lieu of base salary only.</p> <p>If the reason for dismissal is redundancy, the Executive Director would be entitled to a statutory redundancy payment.</p>
Performance Related Pay	<p>In accordance with the rules of the Performance Related Pay Plan (PRPP), an Executive Director is eligible to be paid a Base Award and a Deferred Award subject to being employed by the Company on the relevant 'Payment Date'.</p> <p>An individual will normally not be eligible for any payment for the plan year if they leave the employment of the Company or have been dismissed prior to the Payment Date unless for a Good Leaver reason (below).</p> <p>Good Leaver* Reason</p> <ul style="list-style-type: none"> • Base Award: performance conditions will be measured at the normal PRPP measurement date. Payment will normally be pro-rated for the period of service during the financial year. • Leavers who have left through compulsory redundancy having completed the full plan year remain eligible for a payment even if they are not employed on the Payment Date. • Payments are made on the normal Payment Date and are based on actual performance. • Deferred Award: the Deferred Award will normally be pro-rated for the period of service during the deferral period. Pro-rated Deferred Awards will continue to accrue interest, will normally be released at the normal time, and subject to any applicable multiplier based on performance measured over the full deferral period. <p>Other reason</p> <ul style="list-style-type: none"> • If the individual is subject to formal disciplinary or capability procedures then eligibility for a PRPP award (whether a Base Award or a Deferred Award), payment and/or release will be postponed pending the conclusion of any such procedure.

* Good leavers are defined (as per the scheme rules) as an individual whose employment is terminated by the Company because of 'special circumstances' such as ill-health, injury or disability, a change of control of the Company, redundancy or whose employment terminates automatically by reason of their death. The Committee also retains an overall discretion to determine that an individual is a good leaver.

Appendix: Directors' Remuneration Policy continued

Change of control

The default treatment of performance-related awards upon change of control is set out below.

Element	Operation
Performance Related Pay	<ul style="list-style-type: none"> • Normal policy is to pro-rate any PRPP award (whether a Base Award or Deferred Award) for time and performance to the date of the change of control. Accrued interest to the date of the change of control will be paid, and the multiplier attaching to Deferred Awards tested. • Any unpaid Deferred Award will be released at the date of change of control. • In circumstances where there is an appropriate business case, the Committee may use discretion to determine that Base and/or Deferred awards shall not be pro-rated for time. Use of any discretion will be explained to stakeholders.

External Directorship Appointments

Executive Directors may accept external appointments with consent. Consideration is given to the appropriateness of the external appointment and whether it may affect an Executive Director's ability to perform their role. The Chairman must approve any external appointments. Fees may be retained by the Executive Director for services relating to external appointments.

Directors' Report

Introduction

The Directors present their Annual Report and the audited consolidated financial statements for the year ended 31 March 2025.

Thames Water Utilities Limited (the Company) is incorporated and domiciled in the United Kingdom and is a wholly owned subsidiary of Thames Water Utilities Holdings Limited. Its ultimate parent is Kemble Water Holdings Limited, a company registered in the United Kingdom and owned by institutional investors. These 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; our 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; a financial review and long-term viability statement; 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 21.

The Company is required under its licence to conduct its business as if it were a public limited company. This Report has been drafted, where possible, to the standards and requirements of the Code and the BLTG Principles.

The Directors have provided an extended Strategic Report and a full Corporate Governance Report, which includes comprehensive Remuneration Committee and Audit, Risk & Reporting Committee Reports. Some of the information required to be disclosed in the Directors' Report can be found in those other sections, which are incorporated into this Report by reference and where highlighted.

Directors

Details about the current Directors of the Company, including their dates of appointment and their biographical details, including other directorships they hold, can be found on pages 53 and 54. Details of any significant other interests and potential conflicts are provided on pages 58 and 67. Details of the Directors' remuneration, service contracts and any interests in the shares of the Company are included within the Remuneration Committee report on page 75. The following Board changes took place during the year and up to the date of signing the financial statements:

- Michael McNicholas stepped down as Non-Executive Director on 16 May 2024
- Aidan de Brunner was appointed as Independent Non-Executive Director on 1 September 2024
- Jill Shedden stepped down as Independent Non-Executive Director on 30 September 2024
- Neil Robson was appointed as Independent Non-Executive Director on 2 October 2024
- John Holland-Kaye stepped down as Non-Executive Director on 31 December 2024
- Julian Gething was appointed as Director on 22 January 2025
- Hannah Nixon stepped down as Independent Non-Executive Director on 3 March 2025
- Alastair Cochran resigned as a Director on 27 March 2025
- Adam Banks was appointed as Independent Non-Executive Director on 28 March 2025
- Andrew McNaughton was appointed as Independent Non-Executive Director on 28 March 2025
- Nirmal Kotecha was appointed as Independent Non-Executive Director on 28 March 2025
- Steve Buck was appointed as Director on 7 April 2025

The Company may, by ordinary resolution, appoint any person who is willing to act as a Director, and may by ordinary resolution remove any Director from office. All Directors will be subject to annual re-election at the Company's AGM.

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

As at 31 March 2025, the Company's issued share capital was 76,550,000 ordinary shares of £1 each amounting to £76,550,000, all with equal voting rights and all owned by Thames Water Utilities Holdings Limited.

More information on movements in the share capital of the Company can be found in note 23 of the financial statements.

Under the Company's Articles of Association, subject to the provisions of the Companies Act, the Directors have the authority to allot any unissued shares. Subject to the provisions of the Act, the Company may enter into any contract for the purchase of all or any of its own shares. Further details of the Company's share capital can be found on page 150, while details of the Company's ultimate shareholders can be found on page 52.

Dividend policy for the appointed business

It is standard practice for the Board to review all key policies, including the Company's dividend policy, on a regular basis. In accordance with this approach, the Audit, Risk & Reporting Committee reviewed the Company's current dividend policy at its meeting on 31 March 2025. In conducting its review, the ARCC specifically considered whether the Company's dividend policy remains appropriate and consistent with the requirements of Condition P30 of our Instrument of Appointment (or Licence) which require that any dividends declared or paid by companies are made in accordance with dividend policies that have been approved by the Board and comply with the following principles:

- That dividends declared or paid will not impair the ability of the company to finance its business, taking account of current and future investment needs and financial resilience over the longer term;
- That dividends declared or paid take account of service delivery for customers and the environment over time, including performance levels, and other obligations; and
- That dividends declared or paid reward efficiency and the effective management of risks to the company's business.

Having completed its review, the Audit, Risk & Reporting Committee concluded that the Company's existing dividend policy remains fully consistent with the requirements of its Licence and that no amendments were necessary. This conclusion was approved by the Board at its meeting on 2 April 2025.

Dividend policy

The Company'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 Company's current or short-term liquidity or compliance with the Company's covenants;
- Payment of a proposed dividend should not impair the Company's longer-term ability to finance the Company'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 Company'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 Company'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.

Dividends declared in 2024/25

The Company takes its commitments and obligations to customers and other stakeholders (including the environment, communities, employees and pension members) as a supplier of essential services very seriously.

Following credit rating downgrades by Moody's and Standard and Poor's in April 2024, which occurred following the announcement that the £500 million of new equity that had been anticipated by 31 March 2024 would not be provided, the Company is now operating under a cash lock-up in accordance with the terms of its Licence. This restricts certain payments to associated companies, including dividends, without the prior approval of Ofwat. As such, no dividends were declared in FY25 and the dividend yield was therefore 0%.

Directors' Report continued

Dividends declared in 2024/25

On 19 December 2024, Ofwat issued a notice under section 22A(4) of the Water Industry Act 1991. The Notice set out Ofwat's proposed decision to impose a financial penalty of £18.2 million on the Company as a result of an alleged contravention of Condition P30 of our Licence relating to dividends declared and settled in FY24. Ofwat has imposed a financial penalty of £18.2 million on the company as a result of this alleged breach.

The Company responded to Ofwat's provisional finding on 16 January 2025.

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 pay a dividend. However, on 28 May 2025, Ofwat confirmed its view that the Company failed to comply with its obligations under Condition P30 and issued a final Notice confirming its decision to impose an £18.2 million financial penalty on the Company. In addition to this penalty, Ofwat has also said that it will claw back the value from £131.3 million of dividend payments using the price control so customers do not lose out on tax benefits.

Political donations

The Company has an agreed policy to not make any political donations. No political donations were made during the year (2023/24: £nil).

Charitable donations

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

Material financial instruments

Financial risk management and information on financial instruments are covered in note 20 of the financial statements.

Significant post-year end events

Post balance sheet events are disclosed in note 28 of the financial statements.

Future developments

The development of the business is set out in the Strategic Report.

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 the Company, 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 from 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 the Company's Contribution into the Ofwat Innovation Fund.

Intellectual property

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

Branches

The Company does not have any branches outside of the UK.

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.

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.

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 in 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 is 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-Company recognition awards to recognise and celebrate those people across the business who live our values each and every day.

Relationships with suppliers, customers and other business partners

For further information about our broader stakeholder engagement programme, please see pages 19 and 20. The Company's Section 172 Statement on page 49 and the Board engagement table on page 60 contain details of how Directors specifically have taken into account and engaged with the needs of customers and other stakeholder groups.

Going concern

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.

However, the Directors believe there exists a material uncertainty as to whether the Group and the Company will be able to deliver a recapitalisation transaction by way of a court approved restructuring process successfully, either within the Assessment Period or at all. If it fails to do so, the Company would need to consider all options available to it at the time, but a possible consequence would be a special administration of the Company under the Water Industry Act 1991. The elements which will be key to the success of a recapitalisation transaction are each subject to uncertainties which are outside of the Group and Company's control and which could occur in the very near term. For further details refer to the basis of preparation disclosure in the financial statements.

Directors' Report continued

Operational greenhouse gas emissions and energy management

The Company 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.

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.

Capital projects Scope 3 emissions

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.

Directors' Report continued

	Market-based		Location-based	
	2025 kTCO _{2e}	2024 kTCO _{2e}	2025 kTCO _{2e}	2024 kTCO _{2e}
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 emission	195.8	191.0	195.8	191.0
Transport: Company 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 company 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

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.

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 %

Corporate governance

The Company follows the requirements of the UK Corporate Governance Code and the Ofwat Board Leadership, Transparency and Governance Principles, as outlined in the Corporate Governance Report, from page 50. Details of the Company's internal control and risk management systems can be found in the Strategic Report on page 22 and in the Audit, Risk & Reporting Committee Report on page 69.

Annual General Meeting (AGM)

The date of the Company's Annual General Meeting will be confirmed within a short period after the publication of the Company's Annual Report.

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report 2024/25 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 and the Company financial statements in accordance with UK-adopted international accounting standards.

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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, 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

The Directors consider that the Annual Report and Accounts 2024/25, taken as a whole, is fair, balanced and understandable and provides the information necessary for stakeholders to assess the Group's and Company's position and performance, business model and strategy.

Each of the Directors confirm that, to the best of their knowledge:

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

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

- so far as the Director is aware, there is no relevant audit information of which the 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.

Independent auditors

PricewaterhouseCoopers LLP has expressed its willingness to continue in office as auditors and a resolution seeking to reappoint PwC will be proposed at the forthcoming Annual General Meeting.

The Directors' Report has been approved by the Board of Directors and signed on its behalf by:

Steve Buck
Chief Financial Officer
15 July 2025

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

Report on the audit of the financial statements

Opinion

In our opinion, Thames Water Utilities 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 and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Thames Water Annual Report 2024/25 (the "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 and Company statements of comprehensive income, the Consolidated and Company 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.

Our opinion is consistent with our reporting to the Audit, Risk & Reporting Committee.

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, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other than those disclosed in note 3, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the Material accounting policy information within the financial statements concerning the Group's and the Company's ability to continue as a going concern.

The principal matter giving rise to the material uncertainty is whether the group and the company will be able to deliver a recapitalisation transaction by way of a restructuring plan under Part 26A of the Companies Act 2006 ("RP2") successfully, either within 12 months from the date of approval of the financial statements or at all.

If a recapitalisation transaction by way of RP2 is not delivered, the company would need to consider all options available to it at the time, but a possible consequence would be a special administration of the company under the Water Industry Act 1991. The success of a recapitalisation transaction pursuant to RP2 is subject to uncertainties which are outside of the group and company's control and which could occur in the very near term.

These conditions, along with the other matters explained in the Material accounting policy information within the financial statements, indicate the existence of a material uncertainty 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 evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding and evaluating the design and implementation of relevant controls related to the directors' assessment of going concern;
- Understanding and assessing the factors giving rise to the material uncertainty including assessing the actions available to the directors' on which they have based their assertion that they have a reasonable expectation that the group and company has adequate resources to continue for a period of 12 months from the date of approval of the financial statements;
- Testing the mathematical integrity of the cash flow forecasts and the models supporting these forecasts and reconciling them to Board approved budgets and forecasts;
- Performing a comparison of budget versus actual results for the year ended 31 March 2025 and understanding where variances had arisen. Through this testing we informed our assessment regarding management's ability to forecast accurately;
- Evaluating the key assumptions management has applied in developing their base case. We challenged various aspects of management's base case including consideration of potential downside risks;
- Obtaining and understanding the terms of the Whole Business Securitisation and the group's financing documentation, including the super senior financing documentation and the financial covenants that the group and company is subject to;
- Performing inquiries with key stakeholders (from both within and outside of the group) and reviewing correspondence with creditor representatives, regulators and advice from the group's external legal counsel to corroborate management's position and assess whether there is any contradictory or additional evidence requiring disclosure within the basis of preparation;

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

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, other than the material uncertainty identified in the Material accounting policy information within the financial statements, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting, or in respect of the directors' identification in the financial statements of any other material uncertainties to the Group's and the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

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 Thames Water. 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.

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

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 three legal entities, Thames Water Utilities Limited (TWUL), Thames Water Utilities Finance Plc (TWUF) and Thames Water Super Senior Issuer Plc (TWSSI). TWUL and TWUF were subject to full scope audits for group consolidation purposes, whereas TWSSI was assessed as inconsequential.

Key audit matters

- Material uncertainty related to going concern
- Valuation of provision for expected credit losses for trade receivables (household customers) (group and company)
- Valuation of financial derivatives – credit risk adjustment (group and company)
- Classification of costs between operating and capital expenditure (group and company)

- Valuation of defined benefit obligation (group and company)
- Valuation and completeness of provisions for environmental and other regulatory matters (group and company)
- Accounting for debt modification (group and company)
- Recoverability of intercompany balances due from Thames Water Utilities Holding Limited (group and company)
- Recoverability of the investment in Thames Water Utilities Finance plc (company)

Materiality

- Overall group materiality: £35,000,000 (31 March 2024: £35,000,000) based on 0.15% of Total Assets.
- Overall company materiality: £33,250,000 (31 March 2024: £33,250,000) based on 0.14% of Total Assets.
- Performance materiality: £26,250,000 (31 March 2024: £26,250,000) (group) and £24,937,500 (31 March 2024: £24,937,000) (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.

Accounting for debt modification is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter

Valuation of provision for expected credit losses for trade receivables (household customers) (group and company)

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 Audit, Risk & Reporting Committee report, the significant accounting judgements and key sources of estimation uncertainty section within the Material accounting policy information and note 16 of the financial statements.

How our audit addressed the key audit matter

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.

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

Key audit matter

Valuation of financial derivatives – credit risk adjustment (group and company)

The group derivative position as at 31 March 2025 was an asset of £300.1m (2024: £388.3m) and a liability of £1,718.2m (2024: £1,735.9m).

The net derivative fair value as at 31 March 2025 was a liability of £1,418.1m (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 Audit, Risk & Reporting Committee report, the significant accounting judgements and key sources of estimation uncertainty within the Material accounting policy information.

How our audit addressed the key audit matter

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.

Classification of costs between operating and capital expenditure (group and company)

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 Audit, Risk & Reporting Committee report, the significant accounting judgements and key sources of estimation uncertainty section within the Material accounting policy information and notes 10 and 11 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.

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

Key audit matter

Valuation of defined benefit obligation (group and company)

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, 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 Audit, Risk & Reporting Committee report, the significant accounting judgements and key sources of estimation uncertainty section within the Material accounting policy information and note 24 of the financial statements.

Valuation and completeness of provisions for environmental and other regulatory matters (group and company)

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 Audit, Risk & Reporting Committee report, the significant accounting judgements and key sources of estimation uncertainty section within the Material accounting policy information and notes 22 and 26 of the financial statements.

How our audit addressed the key audit matter

We obtained an understanding of the pensions process and evaluated the design and implementation of related financial controls.

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 roll forward 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.

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, we reviewed 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 recalculated 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 26 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.

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

Key audit matter

Accounting for debt modification (group and company)

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.

Refer to the Audit, Risk & Reporting Committee report and the significant accounting judgements and key sources of estimation uncertainty section within the Material accounting policy information.

How our audit addressed the 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.

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

Key audit matter

Recoverability of intercompany balances due from Thames Water Utilities Holding Limited (group and company)

The group and company has recorded a provision for expected credit losses on the intercompany receivables due from its immediate parent TWUHL totalling £1,389.5m (2024: £118.9m), resulting in a charge to the income statement recorded as an exceptional item of £1,270.6m (2024: £118.9m). The intercompany receivables are therefore fully provided for.

The assessment of the recoverability involved significant judgement. Management conducted a multi-scenario analysis and concluded that in no scenario considered did anything other than an immaterial recovery occur.

Refer to the Audit, Risk & Reporting Committee report, significant accounting judgements and key sources of estimation uncertainty section within the Material accounting policy information and notes 7, 14 and 37 of the financial statements.

Recoverability of the investment in Thames Water Utilities Finance plc (company)

The company holds an investment in its subsidiary Thames Water Utilities Finance plc (TWUF) at a cost of £207.7m (2024: £207.7m). Management determined that an impairment trigger had arisen due to the group's current financial condition and therefore performed a detailed recoverability assessment in line with IAS 36. Management have concluded the investment is no longer fully recoverable and recorded an impairment over the investment to the income statement of £177.5m (2024: nil). This is disclosed as an exceptional item, in line with the Company's accounting policy.

The assessment of the recoverability of investment balances involved significant estimation, especially in the context of the current uncertain financial position of the group.

The key input into management's impairment model is the rate of return TWUF will earn from TWUL for holding the debt. A reduction in the margin it earns for doing so would reduce the discounted future value of cashflows of TWUF and accordingly would reduce the IAS 36 valuation of TWUL's investment in TWUF.

Refer to the Audit, Risk & Reporting Committee report, significant accounting judgements and key sources of estimation uncertainty section within the Material accounting policy information and note 36 of the financial statements.

How our audit addressed the key audit matter

We have obtained an understanding of management's methodology to assess the recoverability of the intercompany receivable balance with its immediate parent TWUHL and we have evaluated the design and implementation of related financial controls.

Our procedures included:

- Obtaining management's accounting paper and understanding the rationale of the model adopted and verifying the key input data to the underlying audited information; and
- Reading and challenging the Significant accounting judgements and key sources of estimation uncertainty disclosure contained within the Material accounting Policies of the financial statements, in particular to ensure that it adequately highlights the significant judgement made over the recoverability of the balance.

We have obtained an understanding of management's methodology applied to assess the recoverability of the investment in TWUF and we have evaluated the design and implementation of related financial controls.

Our procedures included:

- Obtaining management's model and testing the mathematical accuracy of the calculations;
- Understanding the rationale for the model adopted, verifying the key input data and assessing the significant assumptions used by management in that input data;
- The key input data is the margin that TWUF is expected to earn from TWUL for passing this debt on to TWUL via a back to back Intercompany creditor agreement; and
- Challenging management to ensure the assumptions used by management in forming other judgments across the financial statements are consistent with the assumptions used in the valuation model of the Company's investment in TWUF.

We also evaluated the adequacy of disclosures in the financial statements.

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

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. 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.

	Financial statements – group	Financial statements – company
Overall materiality	£35,000,000 (31 March 2024: £35,000,000).	£33,250,000 (31 March 2024: £33,250,000).
How we determined it	0.15% of Total Assets	0.14% of Total Assets
Rationale for benchmark applied	Total assets has been determined to be the appropriate benchmark for both significant components of the group (see company rationale), 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.	We consider total assets to be the most appropriate benchmark on which to calculate materiality. The company is primarily an infrastructure company, that generates revenues and profits almost entirely through using its infrastructure assets. Therefore, although Thames Water Utilities Limited is a trading entity, given its revenue and profits are to a large extent regulated by Ofwat, we assess that aligned to the key focus of the group on the maintenance and investment in the infrastructure it owns and operates, that the asset base is the appropriate benchmark. For PIE entities a percentage of up to 1% of total assets is typical. In reaching our conclusion we have considered multiple factors and have given due consideration to alternative benchmarks, however we consider using a lower percentage of 0.14% of total company assets is deemed to be most appropriate.

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

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

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 £29,750,000 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% (31 March 2024: 75%) of overall materiality, amounting to £26,250,000 (31 March 2024: £26,250,000) for the group financial statements and £24,937,500 (31 March 2024: £24,937,000) for the company financial statements.

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

We agreed with the Audit, Risk & Reporting Committee that we would report to them misstatements identified during our audit above £3,500,000 (group audit) (31 March 2024: £3,500,000) and £3,325,000 (company audit) (31 March 2024: £3,325,000) 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.

Corporate governance statement

ISAs (UK) require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code, which the Listing Rules of the Financial Conduct Authority specify for review by the auditor. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Strategic report and Governance report is materially consistent with the financial statements and our knowledge obtained during the audit, and, except for the matters reported in the section headed 'Material uncertainty related to going concern', we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group and company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit, Risk & Reporting Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

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

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.

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.

Appointment

Following the recommendation of the Audit, Risk & Reporting Committee, we were appointed by the members on 27 June 2018 to audit the financial statements for the year ended 31 March 2019 and subsequent financial periods. The period of total uninterrupted engagement is 7 years, covering the years ended 31 March 2019 to 31 March 2025.

Other matter

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

Other voluntary reporting

Directors' remuneration

The company voluntarily prepares a Directors' Remuneration Report in accordance with the provisions of the Companies Act 2006. The directors requested that we audit the part of the Directors' Remuneration Report specified by the Companies Act 2006 to be audited as if the company were a quoted company.

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Sotiris Kroustis

(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Reading
15 July 2025

Consolidated Income Statement

For the year ended 31 March 2025

	Note	2025				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	(2,153.4)	(219.9)	–	(2,373.3)	(2,066.3)	(43.9)	–	(2,110.2)
Expected credit losses on trade receivables and contract assets	3,16	(43.6)	–	(0.3)	(43.9)	(39.5)	–	(0.2)	(39.7)
Total operating expenses		(2,197.0)	(219.9)	(0.3)	(2,417.2)	(2,105.8)	(43.9)	(0.2)	(2,149.9)
Other operating income	2	150.3	–	–	150.3	148.9	–	–	148.9
Operating profit		556.1	(219.9)	135.1	471.3	444.5	(43.9)	116.6	517.2
Finance income	5	256.3	–	–	256.3	276.5	–	–	276.5
Finance expense	5	(670.6)	(192.5)	–	(863.1)	(669.8)	–	–	(669.8)
Net (losses)/gains on financial instruments	6	(148.0)	(92.5)	–	(240.5)	152.3	–	–	152.3
Expected credit losses on intercompany loan	7	–	(1,270.6)	–	(1,270.6)	–	(118.9)	–	(118.9)
(Loss)/profit on ordinary activities before taxation		(6.2)	(1,775.5)	135.1	(1,646.6)	203.5	(162.8)	116.6	157.3
Tax credit/(charge) on (loss)/profit on ordinary activities	8	18.8	84.8	29.2	132.8	(63.7)	11.0	(29.2)	(81.9)
Profit/(loss) for the year		12.6	(1,690.7)	164.3	(1,513.8)	139.8	(151.8)	87.4	75.4

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 Company 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	2025				2024			
		Underlying £m	Exceptional items £m	BTL £m	Total £m	Underlying £m	Exceptional items £m	BTL £m	Total £m
Profit/(loss) for the year		12.6	(1,690.7)	164.3	(1,513.8)	139.8	(151.8)	87.4	75.4
Other comprehensive income/(expense)									
<i>Will not be reclassified to the Income Statement:</i>									
Net actuarial gain on pension schemes	24	21.0	–	–	21.0	18.9	–	–	18.9
Deferred tax charge on net actuarial gain	21	(5.2)	–	–	(5.2)	(5.9)	–	–	(5.9)
<i>May be reclassified to the Income Statement:</i>									
Cash flow hedge transferred to Income Statement	20	2.8	–	–	2.8	18.7	–	–	18.7
Deferred tax charge on cash flow hedge	21	(0.7)	–	–	(0.7)	(4.7)	–	–	(4.7)
Other comprehensive income for the year		17.9	–	–	17.9	27.0	–	–	27.0
Total comprehensive income/(expense) for the year		30.5	(1,690.7)	164.3	(1,495.9)	166.8	(151.8)	87.4	102.4

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 covenants. Information on how the Company 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	31 March 2025			Restated ¹ 31 March 2024			Restated ¹ 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	10	207.5	–	207.5	233.9	–	233.9	263.3	–	263.3
Property, plant and equipment	11	20,836.2	–	20,836.2	19,371.8	–	19,371.8	18,017.4	–	18,017.4
Investment property	12	2.0	–	2.0	2.0	–	2.0	2.0	–	2.0
Right-of-use assets	13	37.4	–	37.4	36.5	–	36.5	39.8	–	39.8
Derivative financial assets	20	300.1	–	300.1	355.3	–	355.3	417.2	–	417.2
Intercompany loans receivable	14	–	–	–	1,200.6	–	1,200.6	1,249.1	–	1,249.1
Prepayments	16	–	623.9	623.9	–	493.4	493.4	–	377.9	377.9
Insurance and other receivables	16	45.1	–	45.1	40.0	–	40.0	64.6	–	64.6
Pension asset	24	25.9	–	25.9	33.0	–	33.0	6.0	–	6.0
		21,454.2	623.9	22,078.1	21,273.1	493.4	21,766.5	20,059.4	377.9	20,437.3
Current assets										
Inventories	15	22.5	–	22.5	23.3	–	23.3	20.9	–	20.9
Intercompany loans receivable	14	–	–	–	–	–	–	0.2	–	0.2
Trade receivables	16	379.1	24.0	403.1	373.8	25.7	399.5	315.9	16.8	332.7
Contract assets	16	337.9	6.3	344.2	288.6	7.5	296.1	253.6	5.2	258.8
Prepayments	16	58.0	–	58.0	45.2	–	45.2	48.8	–	48.8
Insurance, other receivables and amounts owed by group undertakings	16	54.9	–	54.9	62.7	–	62.7	134.4	(16.6)	117.8
Derivative financial assets	20	–	–	–	33.0	–	33.0	31.9	–	31.9
Cash and cash equivalents	17	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	2,101.5	39.5	2,141.0	2,635.0	12.4	2,647.4
Current liabilities										
Contract liabilities	18	(169.3)	(0.5)	(169.8)	(132.9)	(0.5)	(133.4)	(130.1)	–	(130.1)
Trade and other payables	18	(978.8)	(37.4)	(1,016.2)	(914.8)	(54.7)	(969.5)	(821.2)	–	(821.2)
Bank overdraft ²	17	(71.2)	–	(71.2)	(126.7)	–	(126.7)	–	–	–
Borrowings	19	(324.1)	–	(324.1)	(922.0)	–	(922.0)	(1,909.8)	–	(1,909.8)
Lease liabilities	13	(6.5)	–	(6.5)	(7.8)	–	(7.8)	(7.3)	–	(7.3)
Derivative financial liabilities	20	(66.2)	–	(66.2)	(245.4)	–	(245.4)	(67.1)	–	(67.1)
Provisions for liabilities and charges	22	(231.7)	–	(231.7)	(65.1)	–	(65.1)	(35.0)	–	(35.0)
		(1,847.8)	(37.9)	(1,885.7)	(2,414.7)	(55.2)	(2,469.9)	(2,970.5)	–	(2,970.5)
Net current (liabilities)/assets		(714.8)	18.2	(696.6)	(313.2)	(15.7)	(328.9)	(335.5)	12.4	(323.1)

Note	31 March 2025			Restated ¹ 31 March 2024			Restated ¹ 1 April 2023			
	Underlying £m	BTL £m	Total £m	Underlying £m	BTL £m	Total £m	Underlying £m	BTL £m	Total £m	
Non-current liabilities										
Contract liabilities	18	(1,159.4)	–	(1,159.4)	(1,039.1)	–	(1,039.1)	(921.7)	–	(921.7)
Borrowings	19	(16,651.9)	–	(16,651.9)	(15,426.5)	–	(15,426.5)	(13,828.1)	–	(13,828.1)
Lease liabilities	13	(46.7)	–	(46.7)	(45.2)	–	(45.2)	(49.7)	–	(49.7)
Derivative financial liabilities	20	(1,652.0)	–	(1,652.0)	(1,490.5)	–	(1,490.5)	(1,924.7)	–	(1,924.7)
Deferred tax	21	(1,210.4)	–	(1,210.4)	(1,295.4)	–	(1,295.4)	(1,190.2)	–	(1,190.2)
Provisions for liabilities and charges	22	(265.7)	–	(265.7)	(209.6)	–	(209.6)	(192.7)	–	(192.7)
Pension deficit	24	(112.1)	–	(112.1)	(152.1)	–	(152.1)	(182.0)	–	(182.0)
		(21,098.2)	–	(21,098.2)	(19,658.4)	–	(19,658.4)	(18,289.1)	–	(18,289.1)
Net (liabilities)/assets		(358.8)	642.1	283.3	1,301.5	477.7	1,779.2	1,434.8	390.3	1,825.1
Equity										
Called up share capital	23	76.5	–	76.5	76.5	–	76.5	29.0	–	29.0
Share premium	23	100.0	–	100.0	100.0	–	100.0	100.0	–	100.0
Cash flow hedge reserve	23	–	–	–	(2.1)	–	(2.1)	(16.1)	–	(16.1)
Revaluation reserve	23	748.6	–	748.6	770.9	–	770.9	795.5	–	795.5
(Accumulated losses)/retained earnings	23	(1,283.9)	642.1	(641.8)	356.2	477.7	833.9	526.4	390.3	916.7
Total equity		(358.8)	642.1	283.3	1,301.5	477.7	1,779.2	1,434.8	390.3	1,825.1

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 as discussed on pages 124 to 125.
² Bank 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 Company 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 02366661, were approved by the Board of Directors on 15 July 2025 and signed on its behalf by:

Steve Buck
Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended 31 March 2025

	Note	Called up share capital £m	Share premium £m	Cash flow hedge reserve £m	Revaluation reserve £m	Retained earnings/(accumulated losses) £m	Total equity £m
1 April 2023		29.0	100.0	(16.1)	795.5	916.7	1,825.1
Profit for the year		–	–	–	–	75.4	75.4
Cash flow hedge transferred to Income Statement	20	–	–	18.7	–	–	18.7
Deferred tax charge on cash flow hedge	21	–	–	(4.7)	–	–	(4.7)
Net actuarial gain on pension scheme	24	–	–	–	–	18.9	18.9
Deferred tax charge on net actuarial gain	21	–	–	–	–	(5.9)	(5.9)
Total comprehensive income		–	–	14.0	–	88.4	102.4
Transfer of depreciation ¹		–	–	–	(32.8)	32.8	–
Deferred tax on depreciation transfer ¹		–	–	–	8.2	(8.2)	–
Dividends paid	9	–	–	–	–	(195.8)	(195.8)
Share capital issued	23	47.5	–	–	–	–	47.5
31 March 2024		76.5	100.0	(2.1)	770.9	833.9	1,779.2
Loss for the year		–	–	–	–	(1,513.8)	(1,513.8)
Cash flow hedge transferred to Income Statement	20	–	–	2.8	–	–	2.8
Deferred tax charge on cash flow hedge	21	–	–	(0.7)	–	–	(0.7)
Net actuarial gain on pension scheme	24	–	–	–	–	21.0	21.0
Deferred tax charge on net actuarial gain	21	–	–	–	–	(5.2)	(5.2)
Total comprehensive income/(expense)		–	–	2.1	–	(1,498.0)	(1,495.9)
Transfer of depreciation ¹		–	–	–	(29.8)	29.8	–
Deferred tax on depreciation transfer ¹		–	–	–	7.5	(7.5)	–
Dividends paid	9	–	–	–	–	–	–
Share capital issued	23	–	–	–	–	–	–
31 March 2025		76.5	100.0	–	748.6	(641.8)	283.3

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2025

	Note	2025			Restated ¹ 2024		
		Underlying £m	BTL £m	Total £m	Underlying £m	BTL £m	Total £m
Net cash generated by/ (used in) operating activities²	29	1,269.6	19.5	1,289.1	1,136.2	(0.7)	1,135.5
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 ⁴		21.0	–	21.0	6.4	–	6.4
Interest received		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	28.4	–	28.4
Payment for derivative settlement ⁸		(278.7)	–	(278.7)	(171.8)	–	(171.8)
Interest paid		(414.6)	–	(414.6)	(333.2)	–	(333.2)
Financing fees paid ⁹		(87.7)	–	(87.7)	(7.7)	–	(7.7)
Dividends paid ¹⁰		–	–	–	(64.6)	–	(64.6)
Net cash used in financing activities		(391.5)	–	(391.5)	(121.1)	–	(121.1)
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

¹ The prior year results have been restated due to adjustments identified related to (i) adoption of nil cost assets and (ii) change in accounting policy impacting the prior year presentation of the net settled dividend, refer to page 126 for further information.

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 11. 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: £2,661.4 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: £664.6 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 (£nil), and consent fee derivatives of £92.5 million (£nil) recognised in the Income Statement have not been paid as at 31 March 2025.

¹⁰ Further information on the dividends paid can be found in note 9.

Bazalgette Tunnel Limited (BTL) is an independent company, appointed in 2015 to construct the Thames Tideway Tunnel. Included in the cash flow amounts are amounts in relation to the arrangement with BTL and we have disclosed our underlying amounts separately as required by some of our financial covenants. Information on how the Company accounts for this arrangement is detailed in the 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 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 Company's principal activity is that of an appointed water and wastewater services provider and includes acting as a retailer for household customers in London, the Thames Valley and surrounding area in accordance with its licence of appointment. The Company is also an intermediate holding company within the Kemble Water Holdings Limited Group of companies (the Kemble Water Holdings Group).

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

Statement of compliance with International Financial Reporting Standards

These consolidated and Company only 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.

Going concern

Basis of preparation

The consolidated financial statements for the year ended 31 March 2025, set out on pages 104 to 106, have been prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities at fair value, and the Disclosure and Transparency Rules ("DTR") issued by the Financial Conduct Authority.

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

Context

The Directors believe that it is reasonable to assume that actions can be taken such that the Group and Company have adequate resources, for a period of 12 months from the date of approval of the financial statements (the "Assessment Period"), to continue operations and discharge 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 Group and Company's ability to continue as a going concern in relation to the preparation of the financial statements given the Group and Company requires a recapitalisation transaction to be implemented, the outcome and timing of which is not within their control.

The 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 Group and Company will be able to conclude a holistic recapitalisation, implemented by way of a restructuring plan under Part 26A of the Companies Act 2006 ("RP2"), either within the Assessment Period or shortly thereafter. The Directors expect that for the recapitalisation transaction to be agreed the Company will require the support of multiple stakeholders including its creditors, Ofwat and wider Government and public sector bodies and that RP2 will also require court sanction (noting that such decision to sanction RP2 may be subject to an appeal). The continued support of stakeholders is outside the direct control of the Company. There is, therefore, material uncertainty as to whether the Company will be able to deliver a recapitalisation transaction by way of RP2 successfully, either within the Assessment Period or at all. If it fails to do so, the Company would need to consider all options available to it at the time, but a possible consequence would be a special administration of the Company under the Water Industry Act 1991. Given the multiple interdependencies, these uncertainties could occur in the very near term.

The Directors believe there are three elements that will be key to the success of a recapitalisation process pursuant to RP2 and each of these is itself subject to uncertainty:

1. Liquidity

Ensuring the Company has sufficient liquidity runway is an important step in the Company's process to increase its long-term financial resilience, to attract new equity into the business, restore its investment grade credit rating and address the Section 19 undertakings relating to restoration of investment grade credit ratings agreed with Ofwat 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 Thames Water Utilities Holdings Limited ("TWUHL", the Company's immediate parent) was sanctioned pursuant to an order of the High Court dated 21 February 2025. RP1 was designed to provide a sufficient liquidity runway to enable the Company and its Group to achieve a recapitalisation transaction, by extending the Company's liquidity runway.

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 Company 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 Group and Company's control); and
- it temporarily suspended a number of the financial and other covenants in the Company's financing documentation.

The Company commenced the drawdown process for the first tranche of funding in April 2025 and second tranche of funding in May 2025. To date, the Company 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 Group and the Company 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 Group's and Company's liquidity position and cashflow projections are closely monitored and updated regularly; there remains a risk that short term net cash outflows may be higher than expected.

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 the Company continues to work in good faith to implement a recapitalisation transaction in order to satisfy this condition, with the ability for further extensions to be granted under a streamlined mechanism with its super senior creditors.

Material accounting policy information continued

Going concern continued

1. Liquidity continued

The Company 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).

The Appeal Condition also applies to the Accordion, which the Company 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). The Company 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.

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

During this period, however, the Company and the Group has heightened reporting obligations to its secured creditors under its WBS structure. 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 Company and the 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 Company, the Company considers that the Minimum Liquidity Covenant should continue to be met through the Assessment Period. However, this is subject to uncertainty as the Company and the 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 Company 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 the Company on 19 December 2024. The Company 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 Company announced that it had agreed with Ofwat to defer making the CMA reference for a period of up to 18 weeks to explore the possibility of unlocking a market-led solution for the recapitalisation of the Company. The Company'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 the Company's debt. There is uncertainty as to whether these discussions will deliver such outcome.

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

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

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

The Board is focussed on putting Thames Water on a more stable financial foundation, implementing its turnaround plan and delivering a market-led solution that is in the best interests of customers, UK taxpayers and the wider economy. Discussions to progress the creditor-led transaction continue, including with Ofwat and the Company's other stakeholders. Agreed transaction terms are targeted for 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.

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 Company 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.

Material accounting policy information continued

Going concern continued

Other uncertainties and potential implications

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

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

As a result of these downgrades by S&P and Moody's, TWUL does not currently hold any 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 Company 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 Company'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 Company is currently compliant with the undertakings.

On 28 May 2025, Ofwat issued two penalties to the Company in respect to which the Company 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 Company of Condition P30 of its Licence in relation to certain interim dividend payments made in October 2023 and March 2024. No enforcement order was issued, with Ofwat noting that credit rating downgrades subsequent to those interim dividend payments mean that the Company is now in cash lock-up and is unable to declare or settle any future dividends (without Ofwat's prior consent) until such a time as its investment grade credit ratings have been restored. The inability of the Company to pay a dividend as a result of the cash lock-up and the uncertainty that may arise in relation to future declaration of dividends could affect the equity proposition that the Company represents; and
- an enforcement order which, among other things, requires the Company 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, the Company 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 Company.

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

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 Company cannot implement the PR24 Business Plan in full, without revised regulatory arrangements, it is possible that it would over time breach the conditions of its Instrument of Appointment, the Water Industry Act 1991, its environmental permits and other legislation.

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

Conclusion

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

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

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

Basis of consolidation

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

Refer to the 'General information' section above for information on the Group.

Bazalgette Tunnel Limited (BTL) arrangement

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

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

Disclosed within significant accounting judgments and key sources of estimation uncertainty is the Company'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 Company'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 Company 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 Company'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 Company 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.

Material accounting policy information continued

Bazalgette Tunnel Limited (BTL) arrangement continued

In February 2025, the TTT was connected to the Company's wastewater network. The handover of the tunnel from BTL to the Company 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, the Company 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.

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 Company 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 Company expects to receive for providing its services to customers.

The Company 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 Company 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 Company 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 pages 118 to 119 for significant accounting estimates and judgements concerning revenue recognition.

Other operating income

Service connections

The Company 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 Company 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 Company 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 Company 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 Company 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 Company, who assume the obligation to service the end consumer. The consideration received by the Company is the adopted asset itself. Under IFRS 15 the Company 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 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 Company 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.

Material accounting policy information continued

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 115 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.

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

Material accounting policy information continued

Property, plant and equipment continued

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 Company. 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 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.

Prompted by an enquiry made by the FRC, 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 Company 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 12.

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.

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 net 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.

Material accounting policy information continued

Non-derivative financial instruments continued

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 pages 118 to 119 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.

(iii) BTL

The arrangement with BTL means the Company 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 Company and associated bad debt. The bad debt methodology is consistent with directly billed customers.

(iv) Non-household

The Company 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.

Intercompany loans receivable

Interest bearing loans to other group companies are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. They are subsequently measured at amortised cost using the effective interest rate method, less any provision for expected credit losses. The amortisation is included within finance income in the consolidated Income Statement and is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Amounts owed by subsidiaries are also considered under IFRS 9 for recoverability by performing expected credit losses assessments under various scenarios that take a range of net asset values available after the recoverability of the investment has been assessed. In addition recoverability is also considered based on the ability to net off any receivables with payables owing by the same subsidiary. Any expected credit losses would be recognised within the Company Income Statement only, under net expected credit losses; and where applicable as an exceptional item.

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

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.

Material accounting policy information continued

Non-derivative financial instruments continued

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.

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 Company 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 Company. Based on these rights, any net surplus in the scheme is recognised in full. Therefore, the Company 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.

Material accounting policy information continued

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 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 22 July 2025, while ongoing conversations seek a market-led solution to recapitalisation, without the need for a CMA reference.

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 20.

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.

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 Company 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 Thames Water Utilities Holdings Limited (TWUHL) guarantees the obligations of TWUF and the Company; and TWUF and the Company guarantee the obligations of each other.
- the Company and TWUHL guarantee the borrowings of their subsidiary Thames Water Super Senior Issuer plc (TWSSI)

Material accounting policy information continued

Financial guarantees continued

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

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 TWUF's liabilities being matched with intercompany loans receivable from TWUL, meaning that the credit profile of the two companies is closely linked. All of TWUF's external debt has been on-lent to TWUL. TWUF also has a few external swaps which are not perfectly matched with intercompany arrangements with TWUL and, in these cases, the external cash settlements with counterparties have been matched with internal movements between TWUL and TWUF, and therefore there is no material credit impact from these unmatched arrangements.

On 10 December 2024, a Deed of Contribution was signed, which makes TWUHL liable for half of TWUF's and the Company's payments due to senior creditors directly, rather than as guarantor, if there is written demand by TWUF or the Company. Its purpose was to enable TWUHL 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 arrangement gives rise to a contingent liability for TWUHL, 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 Company 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.

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.

Material accounting policy information continued

Exceptional items continued

Exceptional items recognised in the financial statements in the current year relate to restructuring, transformation expenditure, expected credit losses on intercompany receivables 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 20: Fair value of financial instruments on pages 148 to 149 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.

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 the following amendments:

- Classification of liabilities as current or non-current and non-current liabilities with covenants – Amendments to IAS 1

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."

This new policy has resulted in prior year restatements impacting the following disclosures:

- Consolidated Statement of Financial Position on page 105
- Note 19: Borrowings
- Company Statement of Financial Position on page 160
- Note 41: Borrowings

Refer to pages 124 to 125 for management's accounting judgement relating to current and non-current classification of borrowings and further information on the restatement.

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 Company, 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 10 and 11 respectively).

Net debt

Net debt is presented in note 20 on both a statutory (in line with IFRS) and covenant basis. The covenant basis of net debt is the measure used when assessing the TWUL 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 20.

The TWUL Group must report on a covenant metric under which lease liabilities are classified as unsecured debt. Refer to the lease liability accounting policy, on page 116, 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.

Material accounting policy information continued

Alternative performance measures continued

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 Company 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 the Group, 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

The Company 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 Standard & Poor's and Baa3 or higher from Moody's. The current ratings are below the required level, and Ofwat has accepted undertakings from the Company 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 Company 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 16.

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.

Management 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.

Material accounting policy information continued

Significant accounting judgements and key sources of estimation uncertainty

continued

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

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, as disclosed in our Task Force on Climate-related Financial Disclosure on pages 35 to 43, 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)

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 22, 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.

Material accounting policy information continued

Significant accounting judgements and key sources of estimation uncertainty continued

Sensitivity analysis on environmental provisions

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 the 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 24 for more information on the key assumptions and sensitivities of the pension schemes.

Investment held in subsidiary

Accounting judgement and estimation – impairment over investment in TWUF

Management makes an estimate of the recoverable value of the investment as per IAS 36. When assessing this recoverable value of TWUF, management have performed an analysis that takes into account expected changes in debt and margin earned by TWUF into perpetuity to derive a recoverable value. Management uses estimates and external models to calculate future cash flows and to determine how much

future debt will be issued. The recoverable amounts (i.e. higher of value in use and fair value less costs of disposal) of the investment in TWUF is derived based on the fair value less costs of disposal using an income approach. Fair value less costs of disposal are higher than value in use based on the current contractual arrangements, as they take into the account the expected outcome of the ongoing debt restructuring conversations. These may change TWUF's capital structure and how much margin it can expect to earn in the foreseeable future.

Due to expected future changes in debt as a result of the court led restructuring process including an expected haircut on debt impacting the back to back debts owed by the Company to TWUF on which TWUF earns a margin, management have estimated that the margin arrangement will decrease resulting in lower profits for TWUF to retain. The discounting of these profits – over an explicit forecast period (5 years) and then into perpetuity – at a rate representing senior credit curves; has resulted in a future net asset value lower than the cost of the investment held. An impairment of £177.5 million (2024: none) on the investment in TWUF has been recognised. This has been recognised in the Income Statement as an exceptional item in the current period as these losses are not as a result of the ordinary course of business.

Management have performed a plausible sensitivity analysis, which takes into account the value of the investment where no future debt is issued in TWUF and margin is earned only on existing debt after any capital structure restructuring. This results in an additional impairment on the investment of £13.1 million for a total impairment of £190.6 million.

Intercompany loans receivable

Accounting judgement – provision for expected credit losses

Amounts owing by Thames Water Utilities Holding Limited

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

In accordance with the specific requirements of IFRS 9, the expected credit loss on the TWUHL loan receivables is determined by estimating the expected recoverability of these assets based on different scenarios considered by management, informed by available data. Various recovery scenarios were considered in a multiple factor analysis by applying management's judgement to assign probabilities to possible outcomes regarding the CMA appeal on the Final Determination by Ofwat on PR24. This was then further considered with a view on possible equity injections from new shareholders and how this funding would flow through the group structure into the Company. A scenario including the Company entering into a Special Administration Regime (SAR) was considered. No scenarios were modelled where recoverability of the TWUHL receivable was facilitated by the payment of dividends from TWUL to TWUHL. This is due to TWUL not forecasting payment of dividends in AMP8 given the uncertainties around the structuring for the ultimate restructuring process.

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

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

Provisions for expected credit losses on intercompany receivables, which are detailed in notes 14 and 37, total £1,389.5 million as at the year ended 31 March 2025 (2024: £118.9 million). An expected credit loss of £1,270.6 million (2024: £118.9 million) has been recognised in the Income Statement as an exceptional item in the current period as these losses are not as a result of the ordinary course of business.

Material accounting policy information continued

Significant accounting judgements and key sources of estimation uncertainty continued

Management have determined there is a remote scenario where recovery of the TWUHL loan receivables could occur, however it is so minimal that it was not considered further in the assessment. Therefore as at 31 March 2025, the full value of the TWUHL loan receivables has been provided for with no sensitivity analysis required.

Management have recognised the expected credit losses under Stage 2 in IFRS 9 because no amounts owing are in default, there is not enough objective evidence to confirm that TWUHL will write off the loan in their accounts and that the above assessment is management judgement over the recoverability of the receivables.

Amounts owing by Thames Water Utilities Finance plc - Company only

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

Although a multifactor analysis has been performed using consistent inputs to those used in relation to the assessment of recoverability of the Investment balance in Thames Water Utilities Finance plc; a key judgement is that the most likely outcome is that these amounts will be offset with the borrowings amounts owed by TWUL to TWUF of £13,405.7 million, therefore making the full receivable recoverable. As a result of this assessment, no expected credit loss has been recognised on the amounts owing by TWUF, with a material loss considered to be a remote possibility.

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 applied under amended International Swaps and Derivative Association (ISDA) agreements and confirmations. Under the consent fee derivatives, the fees are due to be paid to counterparties with index-linked and interest rate swap exposures, based on the unadjusted market value of those derivatives (net of cross currency swap market values if offsetting) on 15 January 2025 and every anniversary of that date, whilst TWUL Group's debt does not have two investment grade credit ratings. There is an initial 3% fee payable in two equal instalments and then a 1% per annum fee payable semi-annually. The first 1.5% fee 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 Company's debt does not have two investment grade credit ratings.

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

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

Level 1: Quoted prices in active markets for identical assets or liabilities that can be accessed

Level 2: Significant inputs other than within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Inputs for the assets or liabilities that are not based on observable market data and require management assumptions or inputs from unobservable markets.

Unless otherwise stated, all of the 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.

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.

Material accounting policy information continued

Significant accounting judgements and key sources of estimation uncertainty continued

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

Management believe the assumptions used are reasonable, with the rationale set out above, although the credit related assumptions are not based on observable inputs. 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 derivatives means they have all been classified as Level 3.

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 20 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 the Company'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 and Company:

	Group 2025 £m	Company 2025 £m
For the year ended 31 March		
Level 2 instruments		
Opening balance	(1,347.6)	(1,089.8)
Transfers from Level 2 to Level 3 at 30 September 2024 ¹	1,266.7	984.7
Transfers from Level 2 to Level 3 at 31 March 2025 ¹	64.1	77.2
Gains and losses recognised through profit or loss	16.8	27.9
Closing balance	–	–
Level 3 instruments		
	£m	
Opening balance	–	–
Transfers from Level 2 to Level 3 at 30 September 2024 ¹	(1,266.7)	(984.7)
Transfers from Level 2 to Level 3 at 31 March 2025 ¹	(64.1)	(77.2)
Gains and losses recognised through profit and loss	(87.4)	(175.1)
Closing balance	(1,418.2)	(1,237.0)

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

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 20.

Refer to note 20 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).

Material accounting policy information continued

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 debt modifications, apply to external Class A and B debt and all intercompany debt. The Company 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 the Company. Interest rate and index-linked swap counterparties were also granted additional fees by the Company 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 Company's new financing subsidiary, TWSSI, post year end and lent to the Company. 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 the Company 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 662/3% of Class A and 662/3% 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 IAS1".

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 the Company will secure a regulatory settlement which is financeable and investable such that following on from a holistic recapitalisation, sometime in the next few years the Company 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 the Company 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. There was a recharge of £90.1 million by the Company to TWUF relating to consent fees on TWUF's debt, with on offsetting consent fee due from the Company to TWUF in relation to the restructuring. In line with the intercompany agreement, these amounts were deemed net settled on the issuance of the consent fee debt by the Company. As a result, the Company will benefit from the initial fair value discount in the income statement and bear the cost as it unwinds.

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 Company for its services. The Company will subsequently charge these amounts to its wastewater customers (based on modifications to the Company's licence). Judgement has been exercised in assessing whether the Company 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 Company 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 Company's sewage treatment plants. The Company continues to charge its wastewater customers for the end-to-end waste management service.

Additionally, the Company, 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 Company is operating as principal in the relationship with BTL.

Material accounting policy information continued

Significant accounting judgements and key sources of estimation uncertainty continued

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) and therefore the Group's "as previously stated" results have been restated. 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.

As a result of these amendments, we have reassessed our classification of borrowings and have reclassified certain borrowings in the prior year from current to non-current due to the final maturity date of the relevant revolving credit facilities being over 12 months from the reporting date. 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.

In the 31 March 2024 financial statements, drawdowns from revolving credit facilities were classified as current as repayments of the amounts drawn down were due within 12 months and, despite the ability to roll over under the terms of certain facilities, there was an expectation at 31 March 2024 that the amounts drawn down would instead be repaid within that 12-month period.

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. Hence, as at 31 March 2024, the assessment of the classification of these liabilities has changed based on the clarifications included in amended IAS 1.

In determining the impact from the IAS 1 amendment 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).

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 TWUL Group. This potential repayment requirement in the future would not impact the presentation of the facility.

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, the TWUL 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.

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. The Company charged TWUF its portion of the consent fees, which has been recognised in the income statement, although TWUF charged the same amount to the Company in connection with the changes to its intercompany loans to the Company, including the insertion of higher ranking super senior debt issued by TWSSI and guaranteed by the Company, 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 currently to be 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 662/3% of Class A and 662/3% 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 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.

Material accounting policy information continued

Summary of prior year restatements

A number of restatements to the comparative periods have been made, as detailed below:

Amendments to IAS 1

Background

Refer to page 124 within significant accounting judgements for the background and judgements taken for the IAS 1 amendments.

Restatements to the prior year

IAS 1 amendments to the previously stated balances on the Consolidated Statement of Financial Position are:

Restated 1 April 2023	As previously stated Amendments			IAS 1 Amendments	Restated		
	Underlying £m	BTL £m	Total £m		Underlying £m	Underlying £m	BTL £m
Current liabilities							
Borrowings	(2,280.5)	–	(2,280.5)	370.7	(1,909.8)	–	(1,909.8)
Net current (liabilities)/assets	(706.2)	12.4	(693.8)	370.7	(335.5)	12.4	(323.1)
Non-current liabilities							
Borrowings	(13,457.4)	–	(13,457.4)	(370.7)	(13,828.1)	–	(13,828.1)
Net assets	1,434.8	390.3	1,825.1	–	1,434.8	390.3	1,825.1

Restated 31 March 2024	As previously stated Amendments			IAS 1 Amendments	Restated		
	Underlying £m	BTL £m	Total £m		Underlying £m	Underlying £m	BTL £m
Current liabilities							
Borrowings	(2,202.7)	–	(2,202.7)	1,280.7	(922.0)	–	(922.0)
Net current (liabilities)/assets	(1,593.9)	(15.7)	(1,609.6)	1,280.7	(313.2)	(15.7)	(328.9)
Non-current liabilities							
Borrowings	(14,145.8)	–	(14,145.8)	(1,280.7)	(15,426.5)	–	(15,426.5)
Net assets	1,301.5	477.7	1,779.2	–	1,301.5	477.7	1,779.2

IAS 1 amendments to the previously stated balances on the Company Statement of Financial Position are:

Restated 1 April 2023	As previously stated			IAS 1 Amendments	Restated		
	Underlying £m	BTL £m	Total £m		Underlying £m	Underlying £m	BTL £m
Current liabilities							
Borrowings	(2,503.1)	–	(2,503.1)	106.3	(2,396.8)	–	(2,396.8)
Net current (liabilities)/assets	(961.0)	12.4	(948.6)	106.3	(854.7)	12.4	(842.3)
Non-current liabilities							
Borrowings	(13,769.4)	–	(13,769.4)	(106.3)	(13,875.7)	–	(13,875.7)
Net assets	1,645.2	390.3	2,035.5	–	1,645.2	390.3	2,035.5

Restated 31 March 2024	As previously stated			IAS 1 Amendments	Restated		
	Underlying £m	BTL £m	Total £m		Underlying £m	Underlying £m	BTL £m
Current liabilities							
Borrowings	(2,813.1)	–	(2,813.1)	1,380.7	(1,432.4)	–	(1,432.4)
Net current (liabilities)/assets	(1,803.4)	(15.7)	(1,819.1)	1,380.7	(422.7)	(15.7)	(438.4)
Non-current liabilities							
Borrowings	(14,146.4)	–	(14,146.4)	(1,380.7)	(15,527.1)	–	(15,527.1)
Net assets	1,386.1	477.7	1,863.8	–	1,386.1	477.7	1,863.8

Material accounting policy information continued

Summary of prior year restatements continued

Cash flow presentation

Background

The Company is obligated under its licence, to adopt assets which have been constructed under self-lay by third parties at nil cost to the Company (“nil cost adopted assets”). At the point of adoption, the Company recognises the nil cost adopted assets at fair value within Property, Plant & Equipment and a corresponding deferred income liability. Over the useful economic life of the nil cost adopted assets depreciation and other operating income is recognised. Following a review by management it was identified that nil cost adopted assets had not been appropriately excluded from the cash flow statement in the Consolidated and Company Only Statement of Cash Flow in error which resulted in higher investing cash outflows and higher operating cash inflows being presented (values net to nil). The prior period 2023/24 has been restated to exclude this non-cash transaction, and this accounting treatment has been applied in 2024/25.

Separately the cash flow statement has been restated due to a change in accounting policy. This follows, an enquiry received during the year from the Corporate Reporting Review team (CRRT) of the Financial Reporting Council (FRC) arising from their review of the Company’s Annual Report 2023/24. The 2023/24 accounts presented within the Consolidated and Company Only Statement of Cash Flow, dividends declared and settled intercompany loans including associated interest as financing cash out flows and group relief sold as operating cash inflows on the basis this was intended by all parties to be in substance a cash settlement; this was disclosed within the notes to the accounts as being settled through a net settlement deed. As a result of this enquiry, management have taken into consideration the views of the CRRT and decided to change the accounting policy for such. As a change in accounting policy and as consistent with the requirements of IAS 8 this has been retrospectively restated.

Neither restatement impacts our reported profit, net cash flow movements, reported cash balances within the Statement of Financial Position, liquidity or outcomes for our covenant reporting.

Restatements to the prior year

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

	As previously stated			Amendment	Restated		
	Underlying £m	BTL £m	Total £m		Underlying £m	Underlying £m	BTL £m
Restated 31 March 2024							
Increase in contract liabilities	136.9	0.5	137.4	(108.8)	28.1	0.5	28.6
Group relief received	137.0	–	137.0	(137.0)	–	–	–
Net cash generated by operating activities	1,382.0	(0.7)	1,381.3	(245.8)	1,136.2	(0.7)	1,135.5
Purchase of property, plant and equipment	(1,958.7)	–	(1,958.7)	108.8	(1,849.9)	–	(1,849.9)
Net cash used in investing activities	(1,805.0)	–	(1,805.0)	108.8	(1,696.2)	–	(1,696.2)
Repayment of borrowings	(2,666.8)	–	(2,666.8)	5.4	(2,661.4)	–	(2,661.4)
Interest paid	(333.6)	–	(333.6)	0.4	(333.2)	–	(333.2)
Dividends paid	(195.8)	–	(195.8)	131.2	(64.6)	–	(64.6)
Net cash used in financing activities	(258.1)	–	(258.1)	137.0	(121.1)	–	(121.1)

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

	As previously stated			Amendment	Restated		
	Underlying £m	BTL £m	Total £m		Underlying £m	Underlying £m	BTL £m
Restated 31 March 2024							
Increase in trade and other payables	9.4	8.9	18.3	16.6	26.0	8.9	34.9
Increase in contract liabilities	137.0	0.5	137.5	(108.8)	28.2	0.5	28.7
Group relief received	156.0	–	156.0	(153.6)	2.4	–	2.4
Net cash generated by operating activities	1,416.1	(0.7)	1,415.4	(245.8)	1,170.3	(0.7)	1,169.6
Purchase of property, plant and equipment	(1,958.7)	–	(1,958.7)	108.8	(1,849.9)	–	(1,849.9)
Net cash used in investing activities	(1,778.7)	–	(1,778.7)	108.8	(1,669.9)	–	(1,669.9)
Repayment of borrowings	(2,693.0)	–	(2,693.0)	5.4	(2,687.6)	–	(2,687.6)
Interest paid	(393.9)	–	(393.9)	0.4	(393.5)	–	(393.5)
Dividends paid	(195.8)	–	(195.8)	131.2	(64.6)	–	(64.6)
Net cash used in financing activities	(318.9)	–	(318.9)	137.0	(181.9)	–	(181.9)

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	2025 £m	2024 £m
Management revenue	2,645.1	2,450.2
Management net operating expenses before depreciation and amortisation	(1,478.8)	(1,396.7)
Management other operating income ¹	26.6	52.8
Capital income	123.7	96.1
Management EBITDA	1,316.6	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	1,334.9	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	1,250.1	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	471.3	517.2
Finance income	256.3	276.5
Finance expense	(670.6)	(669.8)
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)	–
Exceptional items – expected credit losses on intercompany loan ⁸	(1,270.6)	(118.9)
Total statutory (loss)/profit before tax	(1,646.6)	157.3

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.

8 This relates to expected credit losses on the intercompany receivables from Thames Water Utilities Holdings Limited. See note 7 for further detail.

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	2025 £m	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	Note	2025			2024		
		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	16	(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 Company has included costs of the TTT within its bills to wastewater customers. As cash is collected, it is paid over to BTL under the 'pay when paid' principle. The revenue on this arrangement has been disclosed separately to the Group's underlying performance in the table above, which is consistent with our financial covenants.

We have presented a further disaggregation of our revenue below:

Gross revenue for the year ended 31 March	2025 £m	2024 £m
<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.

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	2025 £m	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

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

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

³ Gain 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).

⁴ Other 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).

Notes to the consolidated financial statements continued

2. Revenue continued

2.1 Contract assets and liabilities

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

As at 31 March	Note	2025 £m	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	16	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	18	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	18	169.8	133.4
Total contract liabilities		1,329.2	1,172.5

¹ Other activities include accrued income from capital projects and the BTL arrangement (discussed on pages 109 to 110).

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

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	2025 £m	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 that are partially or fully unsatisfied as at the reporting date.

Year ended 31 March	2025 £m	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	2025			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	23.8	–	23.8	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	1,374.6	–	1,374.6	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	2,153.4	–	2,153.4	2,066.3	–	2,066.3
Exceptional costs						
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	2,373.3	–	2,373.3	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	2,416.9	0.3	2,417.2	2,149.7	0.2	2,149.9

¹ Third-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%).

Auditor remuneration

Amounts payable to the Group's auditor are shown below in respect of the following services to the Group:

	2025 £'000	2024 £'000
<i>Fees payable to the Group's auditor:</i>		
Fees payable for the audit of the Group and Company financial statements	3,272.7	1,934.8
Fees payable for the audit of the subsidiary financial statements	145.0	108.9
<i>Fees payable to the Group's auditor for other services:</i>		
Audit-related assurance services	893.8	628.2
Other assurance services	–	117.1
Total aggregate remuneration	4,311.5	2,789.0

Fees payable for the audit of the Group and Company 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 Company employees are based in the United Kingdom. No employees are employed by the Company's subsidiaries Thames Water Utilities Finance plc (TWUF) and Thames Water Super Senior Issuer plc (TWSSI).

The monthly average number of persons employed on a permanent basis by the Company (including Executive Directors) during the year, analysed by category, was as follows:

	2025 Number	Represented ¹ 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 Company	7,824	7,934

¹ The prior year employee numbers have been restated to reflect the current organisation structure within the Company.

Notes to the consolidated financial statements continued

4. Employees and Directors continued

Directors emoluments

The Directors' emoluments were as follows:

Year ended 31 March	2025 £'000	2024 £'000
Salary and fees	2,793.0	1,941.0
Pension and pension allowances	158.0	122.0
Payment on loss of office	680.0	436.0
Payment in lieu of notice	297.0	–
Other benefits and bonus	199.0	1,150.0
Total aggregate emoluments	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 the Company. 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 Company's defined benefit scheme in respect of services to the Company. The Company contributed cash of £158,000 (2024: £122,000) as a pension supplement for two Directors (2024: four Directors). In the current and preceding years, the Company made no contributions into the Company'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 Alastair Cochran, who left as CFO and from the Board with immediate effect on 27 March 2025.

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 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.

Further details of the Directors emoluments, including the highest paid director is detailed in the Annual Report on Remuneration on pages 78 to 81 of this report.

5. Finance income and expense

During the year ended 31 March 2025, the Group recognised finance income of £256.3 million (2024: £276.5 million) relating mainly to interest income on swaps, intercompany loans receivable, money market funds and short-term investments.

Finance income

Year ended 31 March	2025 £m	2024 £m
Interest income on money market funds, short-term investments and cash at bank and in hand	46.6	50.2
Interest income on intercompany loans receivable	69.9	70.2
Interest income on swaps	139.4	155.7
Trading interest income	0.4	0.4
Total finance income	256.3	276.5

Finance expense

During the year ended 31 March 2025, the Group recognised finance expenses of £863.1 million (2024: £669.8 million) relating mainly to interest and accretion on borrowings, interest on defined benefit pension obligations and other finance fees.

Year ended 31 March	Note	2025 £m	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 expense on intercompany borrowings		–	(0.3)
Net interest expense on defined benefit obligation	24	(5.2)	(7.6)
Interest expense on leases	13	(3.5)	(3.1)
Trading interest expense		(0.2)	(0.1)
Other finance fees		(2.1)	(1.9)
Gross finance expense		(857.7)	(829.2)
Capitalised borrowing costs		187.1	159.4
Exceptional debt restructuring costs		(192.5)	–
Total finance expense		(863.1)	(669.8)

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:

Year ended 31 March	2025 £m	2024 £m
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)/gains on financial instruments	(148.0)	152.3
Exceptional debt restructuring costs ⁴	(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 20: 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 court-sanctioned 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 £23.1 million (2024: £nil) applying the 25% corporation tax rate (2024: 25%).

7. Expected credit losses on intercompany loan

Year ended 31 March	2025 £m	2024 £m
Expected credit loss on loan receivable from Thames Water Utilities Holdings Limited	(1,270.6)	(118.9)
Total	(1,270.6)	(118.9)

The Group has intercompany loans receivable due from Thames Water Utilities Holdings Limited, totalling £1,249.1 million (2024: £1,249.1 million) in principal, together with accrued interest of £140.4 million (2024: £70.4 million). As a result of the expected credit loss recognised in the period on the intercompany loans, an expected credit loss of £1,270.6 million (2024: £118.9 million) has been recognised in the Income Statement as an exceptional item, due to its size and as these expected credit losses are not as a result of the ordinary course of business. The expected credit loss has been recognised following an analysis in line with IFRS 9. Refer to the intercompany loan receivable significant accounting judgement on pages 120 to 121 for further details on this expected credit loss.

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

Year ended 31 March	2025				2024			
	Underlying £m	Exceptional items £m	BTL £m	Total £m	Underlying £m	Exceptional items £m	BTL £m	Total £m
<i>Current tax:</i>								
Amounts payable/(receivable) in respect of group relief	95.8	(95.8)	–	–	23.7	(11.0)	29.2	41.9
Adjustments in respect of prior periods	(23.7)	11.0	(29.2)	(41.9)	(54.6)	–	–	(54.6)
Current tax subtotal	72.1	(84.8)	(29.2)	(41.9)	(30.9)	(11.0)	29.2	(12.7)
<i>Deferred tax:</i>								
Origination and reversal of timing differences	(87.9)	–	–	(87.9)	24.5	–	–	24.5
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	(90.9)	–	–	(90.9)	94.6	–	–	94.6
Tax (credit)/charge on (loss)/profit on ordinary activities	(18.8)	(84.8)	(29.2)	(132.8)	63.7	(11.0)	29.2	81.9

Notes to the consolidated financial statements continued

8. Tax charge/(credit) 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:

Year ended 31 March	2025					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 %
(Loss)/profit on ordinary activities before taxation	(6.2)	(1,775.5)	135.1	(1,646.6)		203.5	(162.8)	116.6	157.3	
Corporation tax at 25% (2024: 25%) on (loss)/profit on ordinary activities before taxation	(1.6)	(443.9)	33.8	(411.7)	25.0%	50.8	(40.7)	29.2	39.3	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)		(14.0)	–	–	(14.0)	
Property disposals	–	–	–	–		(1.5)	–	–	(1.5)	
Impact of tax losses not paid for at standard rate ³	7.7	–	(33.8)	(26.1)		–	–	–	–	
Other	–	–	–	–		1.4	–	–	1.4	
Tax charge/(credit) as adjusted for recurring items	7.9	(413.4)	–	(405.5)	24.6%	48.2	(40.7)	29.2	36.7	(24%)
<i>Non-recurring items:</i>										
Effect of tax rate change ⁴	(3.3)	–	–	(3.3)		–	–	–	–	
Expected credit losses	–	317.6	–	317.6		–	29.7	–	29.7	
Adjustments in respect of prior periods – current tax ⁵	(23.7)	11.0	(29.2)	(41.9)		(54.6)	–	–	(54.6)	
Adjustments in respect of prior periods – deferred tax ⁵	0.3	–	–	0.3		70.1	–	–	70.1	
Total tax charge/(credit)	(18.8)	(84.8)	(29.2)	(132.8)	8.1%	63.7	(11.0)	29.2	81.9	29.7%

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 Company. 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.

⁵ During the current year, the Group finalised its corporation tax returns for the period ending 31 March 2024. It had expected to pay for group relief claimed from other group companies at the standard rate, however, it has been agreed by the relevant company boards that no payment will be made for the group relief claims by TWUL or TWUF. Therefore, the group relief tax charge for 31 March 2024 has been reversed in the current year, while the deferred tax prior year charge arose at 25% from the higher capital allowance claim and the sale of losses for the prior year.

The effective tax rate (ETR) on the profit before tax in the current year, as adjusted for recurring tax items, is 24.6%, which is just 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	2025				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	(6.2)	(1,775.5)	135.1	(1,646.6)	203.5	(162.8)	116.6	157.3
Corporation tax at 25% (2024: 25%) on (loss)/profit on ordinary activities before taxation	(1.6)	(443.9)	33.8	(411.7)	50.8	(40.7)	29.2	39.3
<i>Effects of:</i>								
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)	(14.0)	–	–	(14.0)
Property disposals	–	–	–	–	(1.5)	–	–	(1.5)
Impact of tax losses not paid for at standard rate	7.7	–	(33.8)	(26.1)	–	–	–	–
Capital allowances for the year lower than depreciation ⁶	140.7	–	–	140.7	132.8	–	–	132.8
Capitalised borrowing costs allowable for tax ⁷	(46.8)	–	–	(46.8)	(36.8)	–	–	(36.8)
Losses/(gains) on financial derivatives ⁸	4.3	–	–	4.3	(112.4)	–	–	(112.4)
Pension cost charge 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
Expected credit losses	–	317.6	–	317.6	–	29.7	–	29.7
Adjustments in respect of prior periods – current tax ⁵	(23.7)	11.0	(29.2)	(41.9)	(54.6)	–	–	(54.6)
Current tax (credit)/charge for the year	72.1	(84.8)	(29.2)	(41.9)	(30.9)	(11.0)	29.2	(12.7)

⁶ Capital allowances claimed 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.

Notes to the consolidated financial statements continued

8. Tax charge/(credit) on (loss)/profit on ordinary activities continued

Uncertain tax positions

At 31 March 2025, the total value of uncertain tax positions was £nil (2024: £nil).

Tax (charge)/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	2025 £m	2024 £m
Deferred tax charge on net actuarial gain in the year	(5.2)	(5.9)
Deferred tax charge on cash flow hedges in the year	(0.7)	(4.7)
Total tax charged 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 would increase from 19% to 25%. 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 the 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.

9. Dividends

During the year ended 31 March 2025, the Company paid total dividends of £nil (2024: £195.8 million).

Year ended 31 March	2025 £m	2024 £m
<i>Distribution to external shareholders:</i>		
External dividend distributions	–	–
<i>Other distributions:</i>		
Kemble Water Finance Limited debt service costs	–	37.5
	–	37.5
<i>Net settled against other intercompany transactions:</i>		
Internal inflation mechanism pension contribution payment	–	27.1
Settlement of group relief and intercompany loans	–	131.2
Total	–	195.8

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 its licence and its financing documents.

In October 2023, the Company paid dividends of £37.5 million to TWUHL. These proceeds were subsequently distributed by TWUHL to Thames Water Limited (TWL) 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 the Company. In connection with this transaction, the Company issued 27.1 million shares with a nominal value of £1 each to TWUHL, for a total value of £27.1 million. The Company paid a £27.1 million dividend to TWUHL 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, KWE instructed the Company to make a payment of £27.1 million 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, the Company paid dividends of £131.2 million to TWUHL. Simultaneously the Company received payments for group relief owed by TWL, TWUF and KWE totalling £153.6 million and settled intercompany loans including associated interest owed to TWUHL (£5.6 million), TWL (£0.3 million) and TWUF (£16.3 million). These, along with other intercompany transactions between other group companies were recorded under a net settlement deed and, as a result, no cash payments were made by the Company in connection with the £131.2 million dividends. The statement of cash flows has been restated for the prior year following a change in accounting policy reflecting cash that did not physically move through the Kemble Water Holdings Limited Group.

Refer to cash flow presentation prior period restatement on page 126 for further details on the restatement.

Refer to note 22 for the provision raised on fine imposed by Ofwat in relation to these dividend payments.

External shareholders above refers to shareholders of Kemble Water Holdings Limited.

Further information on dividend payments can be found in 'Our Financial Review' section on page 47.

Notes to the consolidated financial statements continued

10. Intangible assets

	Software £m	Assets in development £m	Total £m
<i>Cost:</i>			
At 1 April 2023	538.3	16.3	554.6
Additions	–	44.8	44.8
Transfers between categories	42.6	(42.6)	–
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)
At 31 March 2025	603.5	29.1	632.6
<i>Accumulated amortisation:</i>			
At 1 April 2023	(291.3)	–	(291.3)
Amortisation charge	(71.2)	–	(71.2)
Impairment loss	(3.0)	–	(3.0)
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
At 31 March 2025	(425.1)	–	(425.1)
<i>Net book value:</i>			
At 31 March 2025	178.4	29.1	207.5
At 31 March 2024	215.4	18.5	233.9

¹ The 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.

11. Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Network Assets £m	Assets under construction £m	Total £m
<i>Cost:</i>					
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)
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 ¹	141.6	652.0	607.8	(1,401.6)	(0.2)
Disposals	(15.5)	(93.7)	(34.5)	–	(143.7)
At 31 March 2025	4,369.0	8,571.2	11,078.0	3,787.5	27,805.7
<i>Accumulated depreciation and impairment:</i>					
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
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
At 31 March 2025	(1,389.7)	(4,066.6)	(1,465.2)	(48.0)	(6,969.5)
<i>Net book value:</i>					
At 31 March 2025	2,979.3	4,504.6	9,612.8	3,739.5	20,836.2
At 31 March 2024	2,933.4	4,311.3	9,089.7	3,037.4	19,371.8

¹ The 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.

Notes to the consolidated financial statements continued

11. Property, plant and equipment continued

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 Company'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.

12. Investment property

	Total £m
<i>Cost:</i>	
At 1 April 2023	50.0
At 31 March 2024	50.0
At 31 March 2025	50.0
<i>Accumulated depreciation:</i>	
At 1 April 2023	(48.0)
At 31 March 2024	(48.0)
At 31 March 2025	(48.0)
Net book value at 31 March 2024	2.0
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 in the year ended 31 March 2025 on investment property amounted to £4.3 million (2024: £5.0 million).

13. Leases

(i) Amounts recognised in the Statement of Financial Position

	2025 £m	2024 £m
As at 31 March		
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

	2025 £m	2024 £m
As at 31 March		
Current	(6.5)	(7.8)
Non-current	(46.7)	(45.2)
Total	(53.2)	(53.0)

(ii) Amounts recognised in the Income Statement

	2025 £m	2024 £m
Year ended 31 March		
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.

Notes to the consolidated financial statements continued

14. Intercompany loans receivable

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

As at 31 March	2025 £m	2024 £m
<i>Amounts owed by group undertakings:</i>		
Thames Water Utilities Holdings Limited	1,249.1	1,249.1
<i>Interest receivable on amounts owed by group undertakings:</i>		
Thames Water Utilities Holdings Limited	140.4	70.4
<i>Expected credit losses on amounts owed by group undertakings:</i>		
Provision for expected credit losses	(1,389.5)	(118.9)
Total	–	1,200.6
Disclosed within non-current assets	–	1,200.6
Disclosed within current assets	–	–

The above intercompany loans receivable is unsecured. These balances have not been included within the Group's net debt and covenant calculations.

Intercompany loans receivable due to the Group include the following:

- £735.7 million (2024: £735.7 million) owed by Thames Water Utilities Holdings Limited (TWUHL, the Company's immediate parent): the loan is unsecured and interest is charged at a rate of SONIA + 0.6266% (2024: SONIA + 0.6266%). The loan was originally repayable on 30 August 2037, but on the 25 February 2025 had its maturity extended to 30 August 2039 as part of the court approved restructuring process. In the event the Group's Class A and Class B debt obtains two investment grade ratings, amongst other requirements, the maturity date will revert to the original maturity date.
- £513.4 million (2024: £513.4 million) owed by TWUHL: is unsecured and interest is charged at a rate of SONIA + 0.6266% (2024: SONIA + 0.6266%). On 25 February 2025 its terms changed such that it is no longer repayable on demand so long as the Group remains in the stable platform period, which commenced on 25 February 2025 and will apply until the next senior debt maturity date (currently 22 March 2027). At 31 March 2024 the TWUL Directors provided a letter of comfort to the Directors of Thames Water Holdings Limited stating that they do not expect to seek repayment of the loan outstanding or interest owed by Thames Water Utilities Holdings Limited for at least 12 months from the date of signing the financial statements and, as such, the loan was classified as non-current. At 31 March 2025 the loan was also classified as non-current in line with contractual terms of the loan and the fact there continue to be no expectation for this loan to be repaid.

During the year ended 31 March 2025, the Group accrued £70.0 million of interest income related to the intercompany loans (2024: £70.2 million). As at 31 March 2025, £140.4 million of interest receivable is outstanding from TWUHL (2024: £70.4 million) relating to the intercompany loans.

Refer to the intercompany loans receivable significant accounting judgement on pages 120 to 121 for further details on the provision for expected credit loss.

15. Inventories

As at 31 March

	2025 £m	2024 £m
Raw materials and consumables	22.5	23.3
Total	22.5	23.3

16. Trade and other receivables

As at 31 March

	2025			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	44.0	–	44.0
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 by group undertakings	0.1	–	0.1	0.2	–	0.2
	829.9	30.3	860.2	770.3	33.2	803.5
Total	875.0	654.2	1,529.2	810.3	526.6	1,336.9

¹ This includes an amount representing billed items where collection is not probable at the point of delivery; the value is disclosed within the CFO Report and 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 realised over the useful economic life of the assets recognised on control of the tunnel.

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.

Notes to the consolidated financial statements continued

16. Trade and other receivables continued

Expected credit losses provision

Movements in the expected credit losses provision were as follows:

	2025 £m	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)

¹ Included 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	2025 £m	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	2025 £m	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	2025 £m	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

Ageing of impaired BTL receivables is as follows:

As at 31 March	2025 £m	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

17. Cash and cash equivalents

As at 31 March	2025			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 and 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

¹ Within 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.

² As at 31 March 2025, £45.6 million (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.

³ Bank 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.

Notes to the consolidated financial statements continued

18. Trade and other payables

As at 31 March	2025			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	276.5	–	276.5	308.5	–	308.5
Amounts owed to group undertakings	–	–	–	0.6	–	0.6
Other taxation and social security	11.2	–	11.2	10.7	–	10.7
Group relief payable	–	16.6	16.6	12.8	45.8	58.6
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	112.4	–	112.4
	978.8	37.4	1,016.2	914.8	54.7	969.5
<i>Current:</i>						
Contract liabilities	169.3	0.5	169.8	132.9	0.5	133.4
	1,148.1	37.9	1,186.0	1,047.7	55.2	1,102.9
Total	2,307.5	37.9	2,345.4	2,086.8	55.2	2,142.0

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 20 Financial instruments.

19. Borrowings

As at 31 March	2025 £m	Restated ¹ 2024 £m
Secured bank loans and private placements	5,548.0	5,004.8
Bonds	11,103.9	11,101.2
	16,651.9	16,106.0
Interest payable on borrowings	324.1	242.5
Total	16,976.0	16,348.5
Disclosed within non-current liabilities	16,651.9	15,426.5
Disclosed within current liabilities	324.1	922.0
Total	16,976.0	16,348.5

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 as discussed on pages 124 to 125.

The Company, its wholly owned financing subsidiary, TWUF, and its immediate parent, TWUHL, are the Obligors within a Whole Business Securitisation (WBS) group. Secured bank loans, private placements and bonds are in an arrangement whereby each Obligor (representing each of the companies within the WBS group) has entered into a Security Trust and Intercreditor Deed (STID) with the Security Trustee which secures assets in favour of creditors.

Pursuant to this arrangement, TWUHL guaranteed the obligations of each other Obligor under the finance agreement. Additionally, the Company 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). The Company and TWUHL 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 115 to 116 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 the Company'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, 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 the Company. A further consent has been granted for a £157 million drawdown across July and August 2025. Note that the Company is not permitted to drawdown under its on-loan facility from TWSSI after 31 July 2025 (with an exception for £126 million approved for August 2025) unless a lock-up agreement is in place supported by 66% of Class A and 66% of super senior lenders. 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.

Notes to the consolidated financial statements continued

19. Borrowings continued

Breakdown of secured bank loans and private placements:

As at 31 March

THAMES WATER UTILITIES LIMITED

	2025 £m	2024 £m
£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), (i), (m), (n)}	186.0	179.2
£215.0m 0.380% index-linked loan due 2032 ^{(a), (b), (h), (i), (n), (p)}	172.9	187.6
£100.0m 3.261% index-linked loan due 2043 ^{(a), (d), (h), (i), (n)}	163.5	168.2
£70.0m Class B 3.867% fixed rate loan due 2026 ^{(a), (l), (n)}	70.0	70.0
£50.0m Class B 3.875% fixed rate loan due 2026 ^{(a), (l), (n)}	50.0	50.0
£39.0m Class B 3.918% fixed rate loan due 2026 ^{(a), (l), (n)}	38.9	38.8
£20.0m Class B floating rate loan due 2026 ^{(a), (j), (l), (n)}	20.0	20.0
£50.0m Class B floating rate loan due 2025 ^{(a), (j), (l), (n)}	50.0	49.9
£100.0m Class B floating rate loan due 2028 ^{(a), (j), (l), (n)}	99.5	99.3
£150.0m Class B floating loan rate due 2029 ^{(a), (j), (l), (n)}	149.0	148.8
\$285.0m 3.570% private placement due 2025 ^{(a), (l), (n)}	220.6	225.4
£216.0m 2.450% private placement due 2028 ^{(a), (l), (n)}	215.8	215.7
£210.0m 2.550% private placement due 2030 ^{(a), (l), (n)}	209.6	209.5
£40.0m 2.620% private placement due 2033 ^{(a), (l), (n)}	39.9	39.9
\$95.0m 4.890% private placement due 2029 ^{(a), (f), (l), (n)}	73.4	75.0
£18.0m 4.800% private placement due 2029 ^{(a), (l), (n)}	18.0	18.0
\$256.0m 5.010% private placement due 2032 ^{(a), (f), (l), (n)}	197.7	202.0
\$81.0m 5.300% private placement due 2037 ^{(a), (f), (l), (n)}	62.5	63.9
£150.0m 4.940% private placement due 2037 ^{(a), (l), (n)}	149.6	149.6
£90.0m 5.120% private placement due 2042 ^{(a), (l), (n)}	89.7	89.7
£125.0m floating rate loan due 2024 ^{(a), (j), (k), (l)}	–	125.0
£51.1m floating rate loan due 2029 ^{(a), (j), (l), (n)}	51.1	51.0
£63.1m floating rate loan due 2031 ^{(a), (j), (l), (n)}	62.9	62.9
£100.0m floating rate loan due 2029 ^{(a), (j), (l), (n)}	99.7	99.7
£98.5m floating rate loan due 2029 ^{(a), (j), (l), (n)}	98.2	98.2
£65.0m Class B floating loan rate due 2027 ^{(a), (j), (l), (n)}	64.7	64.6
£80.0m Class A floating rate loan due 2026 ^{(j), (l), (n)}	79.9	–
£725.0m Class A floating rate loan due 2026 ^{(j), (l), (n)}	721.8	–
Consent fee debt – loans ^(a)	18.4	–
THAMES WATER UTILITIES FINANCE PLC		
\$106.0m 4.070% private placement due 2026 ^{(a), (f), (l), (n)}	82.0	83.8
\$250.0m 4.220% private placement due 2027 ^{(f), (l), (n)}	193.5	197.8
\$131.0m 4.270% private placement due 2029 ^{(a), (f), (l), (n)}	101.2	103.4
€50.0m 2.100% private placement due 2030 ^{(a), (f), (l), (n)}	41.7	42.6
£200.0m Class B floating rate loan due 2026 ^{(a), (j), (l), (n)}	199.3	198.7
£270.0m floating rate loan due 2024 ^{(c), (j), (l)}	–	270.0

As at 31 March

	2025 £m	2024 £m
£260.0m floating rate loan due 2024 ^{(c), (j), (l)}	–	260.0
£280.0m floating rate loan due 2024 ^{(c), (j), (l)}	–	280.0
£250.0m floating rate loan due 2024 ^{(c), (j), (l)}	–	250.0
£150.0m floating rate loan due 2025 ^{(c), (j), (l), (n)}	150.0	–
£260.0m floating rate loan due 2025 ^{(c), (j), (l), (n)}	260.0	–
£280.0m floating rate loan due 2025 ^{(c), (j), (l), (n)}	280.0	–
£250.0m floating rate loan due 2025 ^{(c), (j), (l), (n)}	250.0	–
£220.7m Class B floating rate loan due 2024 ^{(c), (g), (j), (l)}	–	220.7
£75.0m Class B floating rate loan due 2024 ^{(g), (i), (j), (l)}	–	75.0
£75.0m Class B floating rate loan due 2024 ^{(g), (j), (l)}	–	75.0
£365.8m floating rate loan due 2025 ^{(c), (j), (l), (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 were a substantial modification, a gain on extinguishment of £3.6 million was recognised in the Income Statement under net gains on financial instruments.

(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 123, 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.

(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.

Notes to the consolidated financial statements continued

19. Borrowings continued

Breakdown of bonds:

As at 31 March

THAMES WATER UTILITIES FINANCE PLC

	2025 £m	2024 £m
£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 back to their original maturity dates if, amongst other requirements, the Group meets investment grade with two rating agencies. As discussed on page 123, 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.

Notes to the consolidated financial statements continued

20. 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	2025 £m	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>		
Intercompany loans receivable	–	1,200.6
Trade and other receivables (excluding non-financial assets)	408.9	483.7
Cash and cash equivalents – short-term investments	79.7	–
Cash and cash equivalents – cash at bank and in hand	79.0	15.0
	567.6	1,699.3
Total	1,015.4	3,353.8

Financial liabilities:

As at 31 March	2025 £m	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)	(1,005.0)	(958.8)
Borrowings	(16,976.0)	(16,348.5)
Lease liabilities	(53.2)	(53.0)
Bank overdraft ²	(71.2)	(126.7)
	(18,105.4)	(17,487.0)
Total	(19,823.7)	(19,222.9)

¹ Consent fee derivatives were entered into as part of the restructuring in order to obtain consent from interest rate and index-linked swap counterparties for the insertion of the super senior facility and extension of the debt and are integral to the related interest rate and index-linked swaps. The fees are considered integral to the original swap as the cashflows depend on their MTM. Therefore, the swap fees and original swap are a single unit of account. These have been presented separately to reflect the impact of the restructuring.

² Bank overdraft 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 held in a pre-funding account was sufficient to cover the cash outflows on the settlement date post year end.

Fair value measurements

Refer to Significant accounting judgements and key sources of estimation uncertainty on pages 121 and 122 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 ^{1,2}	
	2025 £m	2024 £m
<i>Financial assets – derivative financial instruments</i>		
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
<i>Financial liabilities – derivative financial instruments</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	(92.5)	–
	(1,718.3)	(1,735.9)
Net total	(1,418.2)	(1,347.6)

¹ The fair values of derivative financial instruments, including interest rate swaps, cross currency swaps and index-linked swaps are measured by analysing future cash flows of all of the transactions within each netting set. The future cash flows are estimated based on observable forward interest rates and inflation rates, and future fair values are estimated under a wide range of market scenarios and valued taking into account the credit risk of the Group and counterparties.

² Cross currency swaps, interest rate swaps and index linked swaps are Level 3 (31 March 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 market to market value. Therefore the swap fees and original swap are a single unit of account and also Level 3. These have been presented separately to reflect the impact of the restructuring.

Notes to the consolidated financial statements continued

20. 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	2025		2024	
	Book value £m	Fair value £m	Book value £m	Fair value £m
<i>Non-current</i>				
Intercompany loans receivable ¹	–	–	1,200.6	630.1
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
Other receivables (excluding non-financial assets)	2.5	2.5	40.0	40.0
	302.6	302.6	1,595.9	1,025.4
<i>Current</i>				
Cash and cash equivalents	306.4	306.4	1,281.2	1,281.2
Trade and other receivables (excluding non-financial assets)	406.4	406.4	443.7	443.7
Derivative financial instruments				
Cross currency swaps	–	–	30.5	30.5
Index-linked swaps	–	–	2.5	2.5
	712.8	712.8	1,757.9	1,757.9
Total	1,015.4	1,015.4	3,353.8	2,783.3

¹ Intercompany loans receivable includes floating rate loans and related interest which were fully impaired during the year. This includes two loans that are due from TWUHL, of which 1) was repayable on demand, but on the 25 February 2025 became repayable on demand only after the end of the Stable Platform period. There is no letter of comfort and 2) was repayable in 2037, but on 25 February 2025 had its maturity extended to 2039 subject to the flip back clause discussed in significant accounting judgements on page 123. The fair value for these loans is based on an estimate of future cash flows, including expectations about possible variations in the amount and timing of these cashflows.

Financial liabilities:

As at 31 March	2025		Restated ¹ 2024	
	Book value £m	Fair value £m	Book value £m	Fair value £m
<i>Non-current</i>				
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)
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)
	(18,350.7)	(13,226.2)	(16,962.2)	(13,255.8)
<i>Current</i>				
Borrowings				
Secured bank loans and private placements	–	–	(531.7)	(1,777.9)
Bonds	–	–	(147.8)	(144.7)
Interest payable	(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)	(1,005.0)	(1,005.0)	(958.8)	(958.8)
Lease liabilities	(6.5)	(6.5)	(7.8)	(7.8)
Bank overdraft ²	(71.2)	(71.2)	(126.7)	(126.7)
	(1,473.0)	(1,473.0)	(2,260.7)	(3,503.8)
Total	(19,823.7)	(14,699.2)	(19,222.9)	(16,759.6)

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 as discussed on pages 124 to 125.

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.

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. Intercompany loans receivable includes two subordinated floating rate loans and related interest. The fair value of the entire balance of subordinated loans is valued at zero. This is a level 3 fair value as there are no observable inputs for the relevant credit risk. Note that management's expected credit loss analysis under IFRS 9 methodology results in the same expected credit loss on these intercompany loan assets. 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.

Notes to the consolidated financial statements continued

20. Financial instruments continued

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 Company'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 (TWUF and Thames Water Utilities Holdings Limited (TWUHL)) guarantee the funding activity of the Company, and the Company and TWUHL guarantee the funding activity of TWUF, which raises 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 the Company'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 £52.5 million, 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 14 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.

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 662/3% of Class A and 662/3% 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 TWUL 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 the Company 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 Board

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

As at 31 March	2025 £m	2024 £m
Secured bank loans and private placements	(5,548.0)	(5,004.8)
Bonds	(11,103.9)	(11,101.2)
Lease liability	(53.2)	(53.0)
Bank overdraft	(71.2)	(126.7)
Interest payable on borrowings	(324.1)	(242.5)
	(17,100.4)	(16,528.2)
Cash and cash equivalents	306.4	1,281.2
Net debt (statutory basis)	(16,794.0)	(15,247.0)
<i>Reconciliation to net debt (covenant basis)</i>		
Interest payable on borrowings	324.1	242.5
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	283.3	1,779.2

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).

Notes to the consolidated financial statements continued

20. 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.

	2025			Restated ¹ 2024		
	Borrowings £m	Net derivative financial liabilities £m	Lease liabilities £m	Borrowings £m	Net derivative financial liabilities £m	Lease liabilities £m
As at 31 March						
Opening balance	(16,348.5)	(1,347.6)	(53.0)	(15,737.9)	(1,542.7)	(57.0)
Non-current	(15,426.5)	(1,135.2)	(45.2)	(13,457.4)	(1,507.5)	(49.7)
Current	(922.0)	(212.4)	(7.8)	(2,280.5)	(35.2)	(7.3)
<i>Cash flows</i>						
New loans raised ²	(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 ³	–	(19.8)	–	–	(28.4)	–
Payment for derivative settlement ⁴	–	278.7	–	–	171.8	–
Interest paid ⁵	601.0	–	–	492.2	–	–
Interest received ⁶	–	(151.9)	–	–	(138.8)	–
	223.9	107.0	11.1	56.2	4.6	10.2
<i>Non-cash changes</i>						
Interest accrued/Fees amortised	(789.4)	139.4	–	(562.1)	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) ⁷	–	–	–	5.8	–	–
	(851.4)	(177.6)	(11.3)	(666.8)	190.5	(6.2)
Closing balance	(16,976.0)	(1,418.2)	(53.2)	(16,348.5)	(1,347.6)	(53.0)
Non-current	(324.1)	(1,352.0)	(46.7)	(15,426.5)	(1,135.2)	(45.2)
Current	(16,651.9)	(66.2)	(6.5)	(922.0)	(212.4)	(7.8)

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 as discussed on pages 124 to 125.

² New loans raised are show net of fees of £3.7 million (2024: £2.0 million).

³ Proceeds 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.

⁴ 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.

⁵ Interest paid on borrowings of £601.0 million (2024: £492.2 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: £333.2 million).

⁶ Interest 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).

⁷ £5.8 million loan interest and principal settlement was by way of net settlement deed, and therefore there was no cashflow on this transaction. £0.4 million relates to interest and £5.4 million relates to principal; the prior year cashflows have been restated to reflect this transaction.

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 after taking into account the derivative financial instruments used to manage market risk.

	Total at fixed rates £m	Total at floating rates £m	Total at RPI linked rates £m	Total £m
As at 31 March 2025:				
Interest bearing loans and borrowings				
Net of corresponding swap assets	7,059.1	2,102.9	8,636.3	17,798.3
– £ sterling				

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	6,278.7	1,399.8	9,532.1	17,210.6
– £ sterling				

The weighted average interest rates of the 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.:

	Weighted average interest rate		Weighted average period until maturity	
	2025 %	2024 %	2025 Years	2024 Years
Year ended 31 March				
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.

Notes to the consolidated financial statements continued

20. Financial instruments continued

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 pages 147 to 148.

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	2025 +1% £m	2025 -1% £m	2024 +1% £m	2024 -1% £m
Profit/(loss)	300.4	(342.8)	333.6	(364.4)
Equity	300.4	(342.8)	333.6	(364.4)

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	2025 +10% £m	2025 -10% £m	2024 +10% £m	2024 -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 company 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	2025 +1% £m	2025 -1% £m	2024 +1% £m	2024 -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 121 to 122.

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 loan to its immediate parent entity TWUHL, 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 16. 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.

As at 31 March	2025 £m	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	2025 £m	2024 £m
AA-	68.3	57.4
A+	216.1	301.8
A	15.7	29.1
Total	300.1	388.3

Notes to the consolidated financial statements continued

20. Financial instruments continued

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. The Group also maintains a level of committed liquidity facilities provided by a range of financial institutions. Details of the Group's borrowings are disclosed in note 19.

As mentioned in the accounting judgement – current / non-current classification of borrowings section on page 124, 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 the Company'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 date of the Group's debt maturities are shown below:

As at 31 March	2025 £m	2024 £m
Within one year ¹	–	(1,960.2)
Between one and two years	(409.9)	(557.1)
Between two and three years	(1,854.2)	(535.2)
Between three and four years	(1,291.4)	(1,785.8)
Between four and five years	(1,868.1)	(730.5)
After more than five years	(11,228.6)	(10,537.2)
Total	(16,652.2)	(16,106.0)

¹ On 25 February 2025 all 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 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), 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	2025 £m	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 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	2025 £m	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 115.

In mid-2014, the Company executed £2.25 billion of forward-starting floating to fixed interest rate swaps of a 5 to 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 106 resulting in the closing cash flow hedge reserve of nil (2024: £2.1 million, offset by £0.7 million deferred tax).

Notes to the consolidated financial statements continued

20. Financial instruments continued

The Group's cash flow hedge reserve disclosed on the Statement of Changes in Equity on page 106 relates to forward starting interest rate swaps which have commenced.

Cash flow hedge reserve	£m
At 1 April 2023	(16.1)
Cash flow hedge transferred to Income Statement	18.7
Deferred tax charge on cash flow hedges	(4.7)
At 31 March 2024	(2.1)
Cash flow hedge transferred to Income Statement	2.8
Deferred tax charge on cash flow hedges	(0.7)
At 31 March 2025	–

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 Quantitative	2025 £m	2024 £m
Cash flow hedge transferred to Income Statement	2.8	18.7

As at 31 March Qualitative	2025	2024
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	2025 £m	2024 £m
Interest rate swaps		
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.

	Effects of offsetting on the Consolidated Statement of Financial Position				
	Gross amounts £m	Amounts set off £m	Net amounts presented on consolidated Statement of Financial Position £m	Impact of master netting arrangements £m	Net amounts £m
As at 31 March 2025					
<i>Financial assets</i>					
Derivative financial instruments	300.0	–	300.0	(240.6)	59.4
<i>Financial liabilities</i>					
Derivative financial instruments	(1,718.2)	–	(1,718.2)	309.9	(1,408.3)
Total	(1,418.2)	–	(1,418.2)	69.3	(1,348.9)

	Effects of offsetting on the Consolidated Statement of Financial Position				
	Gross amounts £m	Amounts set off £m	Net amounts presented on consolidated Statement of Financial Position £m	Impact of master netting arrangements £m	Net amounts £m
As at 31 March 2024					
<i>Financial assets</i>					
Derivative financial instruments	388.3	–	388.3	(298.7)	89.6
<i>Financial liabilities</i>					
Derivative financial instruments	(1,735.9)	–	(1,735.9)	298.7	(1,437.2)
Total	(1,347.6)	–	(1,347.6)	–	(1,347.6)

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 that 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				
Fair value through profit or loss				
Derivative financial instruments				
Index-linked swaps ¹	–	(69.3)	–	(69.3)
Total assets and liabilities exposed to GBP LIBOR	–	(69.3)	–	(69.3)

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

Notes to the consolidated financial statements continued

20. Financial instruments continued

	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				
Fair value through profit or loss				
Derivative financial instruments				
Index-linked swaps ¹	–	(98.3)	–	(98.3)
Amortised cost				
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.

21. 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
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)
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	–	(8.3)	90.9
Charge to other comprehensive income	–	(5.2)	(0.7)	–	–	(5.9)
At 31 March 2025	(1,311.6)	21.6	69.1	–	10.5	(1,210.4)

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.

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	2025 £m	2024 £m
Deferred tax assets	101.2	110.9
Deferred tax liabilities	(1,311.6)	(1,406.3)
Net deferred tax liabilities	(1,210.4)	(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.
- **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 CI Comprehensive Income would reduce by £3.3 million.

22. Provisions for liabilities and charges

	Insured liabilities £m	Capital infrastructure provision £m	Dilapidations £m	Environmental, legal and other regulatory provisions £m	Other provisions £m	Total £m
At 1 April 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)
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)
At 31 March 2025	134.2	51.2	10.8	260.9	40.3	497.4
Disclosed within current liabilities	25.2	24.3	3.0	147.4	31.8	231.7
Disclosed within non-current liabilities	109.0	26.9	7.8	113.5	8.5	265.7
Total at 31 March 2025	134.2	51.2	10.8	260.9	40.3	497.4

Notes to the consolidated financial statements continued

22. Provisions for liabilities and charges continued

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 26. 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 16. 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 the Company'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.

23. Called up share capital and other reserves

Called up share capital

As at 31 March	2025			2024		
	Underlying £m	BTL £m	Total £m	Underlying £m	BTL £m	Total £m
Authorised, allotted, called up and fully paid: 76,550,000 ordinary shares of £1 each (2024: 76,550,000 ordinary shares of £1 each)	76.5	–	76.5	76.5	–	76.5

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, two internal inflation mechanism pension contribution payments were made totalling £47.5 million for the Thames Water Pension Scheme and Thames Water Mirror Image Pension Scheme. The first payment in April 2023 was made by KWE, an intermediate parent of the company, on behalf of TWUL, with the second payment in March 2024 deemed to be made by KWE under a net settlement agreement. Payments were recorded through intercompany transactions with a resultant intercompany payable balance in TWUL owed to its immediate parent, TWUHL. As a result, TWUL issued 47.5 million shares with a nominal value of £1 each to TWUHL, in exchange for the extinguishment of the intercompany payable owed to TWUHL, for a total value of £47.5 million.

Refer to note 9 for information on March 2024 payment.

Other reserves

As at 31 March	2025			2024		
	Underlying £m	BTL £m	Total £m	Underlying £m	BTL £m	Total £m
Share premium	100.0	–	100.0	100.0	–	100.0
Cash flow hedge reserve	–	–	–	(2.1)	–	(2.1)
Revaluation reserve	748.6	–	748.6	770.9	–	770.9
(Accumulated losses)/retained earnings	(1,283.9)	642.1	(641.8)	356.2	477.7	833.9
Total	(435.3)	642.1	206.8	1,225.0	477.7	1,702.7

The revaluation reserve reflects the revaluation of infrastructure assets to fair value on transition to IFRS in the 2015/16 financial 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.

Notes to the consolidated financial statements continued

24. Retirement benefit obligations

Background

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

	What are they?	How do they impact the financial statements?
Defined Contribution Scheme This scheme was set up in April 2011 and was managed through Standard Life. From October 2020, this is now managed through Aon MasterTrust. This scheme is open to all employees of the Company who are not active members of the defined benefit pension schemes.	In a defined contribution pension scheme, the benefits are linked to: <ul style="list-style-type: none"> 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.
Defined Benefit Schemes Defined benefit arrangements for the Company's eligible employees are provided through two defined benefit pension schemes: <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> are defined by the scheme rules; depend on a number of factors including age, years of service and pensionable pay; and do not depend on contributions made by the members or the Company. 	A charge was recognised in the Income Statement of £10.3 million (2024: £10.5 million) relating to the following: <ul style="list-style-type: none"> 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. A pension deficit of £112.1 million (2024: £152.1 million) is recognised in the Statement of Financial Position for the TWPS. 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.

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	2025		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

Year ended 31 March	2025		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

Notes to the consolidated financial statements continued

24. Retirement benefit obligations continued

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	2025 £m	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)

Statement of Financial Position

The net pension liability recognised within the Statement of Financial Position is as follows:

As at 31 March	2025			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			(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:

	2025		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:

	2025		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

Analysis of assets

As at 31 March	2025				2024			
	Quoted £m	Unquoted £m	Total £m	Total (%)	Quoted £m	Unquoted £m	Total £m	Total (%)
Equities								
UK	8.0	–	8.0	0.5	12.7	–	12.7	0.8
Rest of World	38.2	–	38.2	2.6	95.9	–	95.9	5.9
Bonds								
Government – UK	25.7	–	25.7	1.8	44.7	–	44.7	2.8
Government – Rest of World	77.6	–	77.6	5.3	110.8	–	110.8	6.9
Corporates – UK	48.0	–	48.0	3.3	43.7	–	43.7	2.7
Corporates – Rest of World	158.6	42.6	201.2	13.8	214.6	39.1	253.7	15.7
Property								
UK	–	–	–	–	–	–	–	–
Rest of World	–	–	–	–	–	–	–	–
Alternative assets								
Liability driven instruments	903.5	8.4	911.9	62.4	840.5	–	840.5	52.0
Other (including derivatives)	78.8	(0.1)	78.7	5.4	113.4	(0.8)	112.6	6.9
Cash	67.6	–	67.6	4.6	87.0	–	87.0	5.4
Other	3.8	–	3.8	0.3	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.

Notes to the consolidated financial statements continued

24. Retirement benefit obligations continued

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.

Financial assumptions

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

As at 31 March	2025		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 2023 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	2025		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% change in the other direction would largely be the same, in the opposite direction, as the movement presented in the table:

As at 31 March	2025		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

Notes to the consolidated financial statements continued

24. 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	–

25. Capital commitments

As at 31 March	2025 £m	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.

26. Contingent liabilities

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

1. Environment Agency Wastewater regulatory investigation

The Company is subject to an ongoing investigation by the Environment Agency under the Environmental Permitting (England and Wales) Regulations 2016 into compliance with storm sewerage discharges in line with environmental permits. The 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 has 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.

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

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

Notes to the consolidated financial statements continued

26. Contingent liabilities continued

4. WINEP – Ofwat

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

Ofwat's regulatory enforcement powers include the potential imposition of an enforcement order, the acceptance of enforceable undertakings and/or the imposition of a financial penalty on the company of up to 10% of annual turnover of the relevant regulated business.

5. Industrial Emissions Directive (IED)

The Company has not completed the works necessary to comply with the IED by the end of 2024/25 as required. This means that new environmental permits have or are due to come into effect before the works necessary to achieve compliance with those new environmental permits have been carried out. IED sites are at risk of operating outwith the conditions of their environmental permits. Operating in breach of an environmental permit is a criminal offence. The potential penalty is a criminal conviction and an unlimited fine (in accordance with the Environmental Offences Sentencing Guidelines). The Environment Agency is aware of all delayed IED schemes and the Company's plans to remediate this (the IED Compliance Delivery 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 the Company, TWUHL 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 Company 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 Company.

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

As 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 22) has been recognised within these accounts following Ofwat's consultation and decision to impose a financial penalty.
- Ofwat's investigation into the Company's Wastewater Business and operation of its sewage treatment works. A £104.0 million provision (see note 22) 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 the Company 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 the Company needs to take. The Company 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 the Company needs to take have been agreed with the DWI. The Company 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.

27. 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 Company.

Notes to the consolidated financial statements continued

28. 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 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 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 £31 million in July 2025 and £126 million in August 2025, along with a creditor request to extend the end date for drawdowns by the Company under the intercompany loan from TWSSI to 31 July 2025.

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 drawdown proceeds, despite a portion of the £1.5 billion facility remaining undrawn.

As part of the agreement to 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 them if the 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 the appeal is successful in court.

In May 2025 Morgan Stanley opted to convert the EIB loan from index linked to floating rate, since they were unable to hedge their position as a result of the 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.

The Group 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 would not be in a position to proceed and the Company instead continues to progress discussions on an alternative senior creditors' plan with Ofwat and other stakeholders.

In May 2025 Ofwat announced that the Company 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 the Company were to pay these penalties without a creditor consent, the Company 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.

29. Statement of Cash Flows

Reconciliation of operating profit to operating cash flows

Year ended 31 March	2025			Restated ¹ 2024		
	Underlying £m	BTL £m	Total £m	Underlying £m	BTL £m	Total £m
(Loss)/profit for the financial year	(1,678.1)	164.3	(1,513.8)	(12.0)	87.4	75.4
Less finance income	(256.3)	–	(256.3)	(276.5)	–	(276.5)
Add finance expense excluding interest on lease liabilities	859.6	–	859.6	666.7	–	666.7
Add interest expense on lease liabilities	3.5	–	3.5	3.1	–	3.1
Add net losses/(gains) on financial instruments	240.5	–	240.5	(152.3)	–	(152.3)
Add expected credit losses on intercompany loans	1,270.6	–	1,270.6	118.9	–	118.9
(Less)/add taxation on (loss)/profit on ordinary activities before taxation	(103.6)	(29.2)	(132.8)	52.7	29.2	81.9
Operating profit	336.2	135.1	471.3	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)
Increase in trade and other receivables ²	(15.5)	(128.7)	(144.2)	(40.3)	(124.4)	(164.7)
(Increase)/decrease in contract assets	(49.3)	1.2	(48.1)	(35.0)	(2.3)	(37.3)
(Decrease)/increase in trade and other payables	(13.1)	11.9	(1.2)	(4.9)	8.9	4.0
Increase in contract liabilities ³	47.6	–	47.6	28.1	0.5	28.6
Increase in provisions ⁴	208.0	–	208.0	47.0	–	47.0
Net cash generated by/(used in) operating activities^{5,6}	1,269.6	19.5	1,289.1	1,136.2	(0.7)	1,135.5

¹ The prior year results have been restated due to adjustments identified related to (i) adoption of nil cost assets and (ii) change in accounting policy impacting the prior year presentation of the net settled dividend, refer to page 126 for further information.

² 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.

³ 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.

⁴ Movement in provisions will not agree to the movement in the balance sheet due to it excluding the movement in capital infrastructure provisions.

⁵ 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.

⁶ 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 9 and note 23 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	2025 £m	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)

Notes to the consolidated financial statements continued

30. 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

Ultimate parent

Kemble Water Holdings Limited

Intermediaries between the immediate and ultimate parent

Kemble Water Eurobond plc

Kemble Water Finance Limited

Thames Water Limited

Thames Water (Kemble) Finance plc

Immediate parent

Thames Water Utilities Holdings Limited

Other entities within the Kemble Water Holdings group

Kennet Properties Limited

Thames Water Property Services Limited

Thames Water Pension Trustees Limited

Trinzic Operations Limited

Trinzic Developments Limited

Trinzic Connected Limited

Entities external to the Kemble Water Holdings group

SGN Commercial Services Limited

AlixPartners UK LLP

Dunelm Energy Limited

Southern Gas Networks plc

Water UK Limited

Worldpay (UK) Limited

Cadent Gas Limited

Inframonik Advisory Limited

Major Projects Association

Duchy of Cornwall Estate

Total

	2025		2024	
	Services provided by the Group £'000	Services provided to the Group £'000	Services provided by the Group £'000	Services provided to the Group £'000
Total	72,445	23,163	73,972	8,595

¹ This amount relates to interest on the intercompany loan, refer to note 14, and Group management recharges.

During the year, the Group paid its immediate parent company, Thames Water Utilities Holdings Limited, dividends of £nil (2024: £195.8 million).

Outstanding balances

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

	2025		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
Total	1,389,688	16,706	1,319,548	58,574

As at 31 March

Intermediaries between the immediate and ultimate parent

Thames Water Limited

Immediate parent

Thames Water Utilities Holdings Limited

Other entities within the Kemble Water Holdings group

Kennet Properties Limited

Thames Water Property Services Limited

¹ These amounts relate to group relief payable balances.

The amounts outstanding are unsecured. No guarantees have been given or received. In the current period, an additional provision of £1,270.6 million was recognised as expected credit losses in respect of amounts owed by Thames Water Utilities Holdings Limited (2024: £118.9 million) resulting in the balance owed by Thames Water Utilities Holdings Limited to be £nil (2024: £1,200.6 million). See note 14 for further detail.

Notes to the consolidated financial statements continued

30. Related party transactions continued

Key management personnel

Key management personnel comprise the members of the Board and of the Executive team 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. Further information about the remuneration of individual Directors is provided in the audited part of the Remuneration Committee Report on pages 78 to 81.

Year ended 31 March	2025 £'000	2024 £'000
Fees	661	551
Salary	3,981	3,769
Pension and pension allowance	336	332
Bonus	2,831	1,746
Payment on loss of office	680	1,139
Payment in lieu of notice	297	–
Other benefits	528	1,341
Total	9,314	8,878

Information regarding transactions with post-employment benefits plans is included in note 24.

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.

31. Intermediate and ultimate parent company and controlling party

Thames Water Utilities Holdings Limited, a company incorporated in the United Kingdom, is the immediate parent company and is the smallest group to consolidate these financial statements. The Directors consider that Kemble Water Holdings Limited, a company incorporated in the United Kingdom, is the ultimate controlling party and ultimate parent company, and the largest group to consolidate these financial statements.

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

The address of the registered office of Thames Water Utilities 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.

Company Income Statement

For the year ended 31 March

	Note	2025				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
Operating expenses		(2,153.4)	(219.9)	–	(2,373.3)	(2,066.2)	(43.9)	–	(2,110.1)
Expected credit losses on financial and contract assets	3,16	(43.6)	–	(0.3)	(43.9)	(39.5)	–	(0.2)	(39.7)
Total operating expenses	3	(2,197.0)	(219.9)	(0.3)	(2,417.2)	(2,105.7)	(43.9)	(0.2)	(2,149.8)
Other operating income	2	150.3	–	–	150.3	148.9	–	–	148.9
Operating profit		556.1	(219.9)	135.1	471.3	444.6	(43.9)	116.6	517.3
Finance income	33	264.9	90.2	–	355.1	305.0	–	–	305.0
Finance expense	33	(743.5)	(297.6)	–	(1,041.1)	(746.5)	–	–	(746.5)
Net (losses)/gains on financial instruments	34	(165.9)	(77.6)	–	(243.5)	32.3	–	–	32.3
Net impairment losses	36	–	(177.5)	–	(177.5)	–	–	–	–
Expected credit losses on intercompany loan	7	–	(1,270.6)	–	(1,270.6)	–	(118.9)	–	(118.9)
(Loss)/profit on ordinary activities before taxation		(88.4)	(1,953.0)	135.1	(1,906.3)	35.4	(162.8)	116.6	(10.8)
Tax credit/(charge) on (loss)/profit on ordinary activities	35	24.2	84.7	29.2	138.1	(21.4)	11.0	(29.2)	(39.6)
(Loss)/profit for the year		(64.2)	(1,868.3)	164.3	(1,768.2)	14.0	(151.8)	87.4	(50.4)

The Company'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 by some of our financial covenants. Information on how the Company 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, 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. Further detail can be seen in the accounting policies. This amount has been split out from our underlying figures to support the users of the financial statements to better understand the underlying performance of the business and separate this from those items that are outside of the ordinary course of business, thus enhancing the comparability and transparency of the financial statements and underlying business performance.

Company Statement of Comprehensive Income

For the year ended 31 March

	Note	2025				2024			
		Underlying £m	Exceptional items £m	BTL £m	Total £m	Underlying £m	Exceptional items £m	BTL £m	Total £m
(Loss)/profit for the year		(64.2)	(1,868.3)	164.3	(1,768.2)	14.0	(151.8)	87.4	(50.4)
Other comprehensive income/ (expense)									
Will not be reclassified to the Income Statement:									
Net actuarial gain on pension schemes	24	21.0	–	–	21.0	18.9	–	–	18.9
Deferred tax charge on net actuarial gain	43	(5.2)	–	–	(5.2)	(5.9)	–	–	(5.9)
May be reclassified to the Income Statement:									
Cash flow hedge transferred to Income Statement	42	2.8	–	–	2.8	18.7	–	–	18.7
Deferred tax charge on cash flow hedge including impact of tax rate change in prior year	43	(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		(46.3)	(1,868.3)	164.3	(1,750.3)	41.0	(151.8)	87.4	(23.4)

Bazalgette Tunnel Limited (BTL) is an independent company which was 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 Company 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, and that are of material significance that separate disclosure is required for the financial statements to be properly understood by the users of the financial statements. Further detail can be seen in the accounting policies. This amount has been split out from our underlying figures to support the users of the financial statements to better understand the underlying performance of the business and separate this from those items that are outside of the ordinary course of business, thus enhancing the comparability and transparency of the financial statements and underlying business performance.

Company Statement of Financial Position

As at 31 March 2025

Note	31 March 2025			Restated ¹ 31 March 2024			Restated ¹ 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	10	207.5	–	207.5	233.9	–	233.9	263.3	–	263.3
Property, plant and equipment	11	20,836.2	–	20,836.2	19,371.8	–	19,371.8	18,017.4	–	18,017.4
Investment property	12	2.0	–	2.0	2.0	–	2.0	2.0	–	2.0
Investment in subsidiary undertakings	36	30.3	–	30.3	207.7	–	207.7	207.7	–	207.7
Right-of-use assets	13	37.4	–	37.4	36.5	–	36.5	39.8	–	39.8
Derivative financial assets	42	244.2	–	244.2	293.8	–	293.8	332.6	–	332.6
Intercompany loans receivable	37	300.0	–	300.0	1,200.6	–	1,200.6	1,549.1	–	1,549.1
Prepayments	38	–	623.9	623.9	–	493.4	493.4	–	377.9	377.9
Insurance, amounts owed to group undertakings and other receivables	38	44.6	–	44.6	38.9	–	38.9	61.8	–	61.8
Pension asset	24	25.9	–	25.9	33.0	–	33.0	6.0	–	6.0
		21,728.1	623.9	22,352.0	21,418.2	493.4	21,911.6	20,479.7	377.9	20,857.6
Current assets										
Inventories	15	22.5	–	22.5	23.3	–	23.3	20.9	–	20.9
Intercompany loans receivable	37	56.5	–	56.5	351.2	–	351.2	40.3	–	40.3
Trade receivables	38	379.1	24.0	403.1	373.8	25.7	399.5	315.9	16.8	332.7
Contract assets	38	337.9	6.3	344.2	288.6	7.5	296.1	253.6	5.2	258.8
Prepayments	38	58.0	–	58.0	45.2	–	45.2	48.8	–	48.8
Insurance, other receivable and amounts owed to group undertakings	38	55.6	–	55.6	63.3	–	63.3	156.5	(16.6)	139.9
Derivative financial assets	42	–	–	–	29.2	–	29.2	–	–	–
Cash and cash equivalents	39	279.2	25.8	305.0	1,273.3	6.3	1,279.6	1,828.1	7.0	1,835.1
		1,188.8	56.1	1,244.9	2,447.9	39.5	2,487.4	2,664.1	12.4	2,676.5
Current liabilities										
Contract liabilities	40	(169.3)	(0.5)	(169.8)	(132.9)	(0.5)	(133.4)	(130.1)	–	(130.1)
Trade and other payables	40	(1,114.4)	(37.4)	(1,151.8)	(1,001.2)	(54.7)	(1,055.9)	(896.2)	–	(896.2)
Bank overdraft ²	39	(71.2)	–	(71.2)	(126.7)	–	(126.7)	–	–	–

Note	31 March 2025			Restated ¹ 31 March 2024			Restated ¹ 1 April 2023			
	Underlying £m	BTL £m	Total £m	Underlying £m	BTL £m	Total £m	Underlying £m	BTL £m	Total £m	
Borrowings	41	(435.8)	–	(435.8)	(1,432.4)	–	(1,432.4)	(2,396.8)	–	(2,396.8)
Lease liabilities	13	(6.5)	–	(6.5)	(7.8)	–	(7.8)	(7.3)	–	(7.3)
Derivative financial liabilities	42	(66.2)	–	(66.2)	(104.5)	–	(104.5)	(53.4)	–	(53.4)
Provisions for liabilities and charges	22	(231.7)	–	(231.7)	(65.1)	–	(65.1)	(35.0)	–	(35.0)
		(2,095.1)	(37.9)	(2,133.0)	(2,870.6)	(55.2)	(2,925.8)	(3,518.8)	–	(3,518.8)
Net current (liabilities)/assets		(906.3)	18.2	(888.1)	(422.7)	(15.7)	(438.4)	(854.7)	12.4	(842.3)
Non-current liabilities										
Contract liabilities	40	(1,159.4)	–	(1,159.4)	(1,039.1)	–	(1,039.1)	(921.6)	–	(921.6)
Borrowings	41	(17,116.7)	–	(17,116.7)	(15,527.1)	–	(15,527.1)	(13,875.7)	–	(13,875.7)
Lease liabilities	13	(46.7)	–	(46.7)	(45.2)	–	(45.2)	(49.7)	–	(49.7)
Derivative financial liabilities	42	(1,415.0)	–	(1,415.0)	(1,308.3)	–	(1,308.3)	(1,495.7)	–	(1,495.7)
Deferred tax	43	(1,234.8)	–	(1,234.8)	(1,328.0)	–	(1,328.0)	(1,262.4)	–	(1,262.4)
Provisions for liabilities and charges	22	(265.7)	–	(265.7)	(209.6)	–	(209.6)	(192.7)	–	(192.7)
Pension deficit	24	(112.1)	–	(112.1)	(152.1)	–	(152.1)	(182.0)	–	(182.0)
		(21,350.4)	–	(21,350.4)	(19,609.4)	–	(19,609.4)	(17,979.8)	–	(17,979.8)
Net (liabilities)/assets		(528.6)	642.1	113.5	1,386.1	477.7	1,863.8	1,645.2	390.3	2,035.5
Equity										
Called up share capital	44	76.5	–	76.5	76.5	–	76.5	29.0	–	29.0
Share premium	44	100.0	–	100.0	100.0	–	100.0	100.0	–	100.0
Cash flow hedge reserve	44	–	–	–	(2.1)	–	(2.1)	(16.1)	–	(16.1)
Revaluation reserve	44	748.6	–	748.6	770.9	–	770.9	795.5	–	795.5
(Accumulated losses)/Retained earnings	44	(1,453.7)	642.1	(811.6)	440.8	477.7	918.5	736.8	390.3	1,127.1
Total equity		(528.6)	642.1	113.5	1,386.1	477.7	1,863.8	1,645.2	390.3	2,035.5

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 as discussed on pages 124 to 125.

² Bank 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. Information on how the Company accounts for this arrangement is detailed in the accounting policies.

The Company only financial statements for Thames Water Utilities Limited, registered in England & Wales company number 02366661, were approved by the Board of Directors on 15 July 2025 and signed on its behalf by:

Steve Buck
Chief Financial Officer

Company Statement of Changes in Equity

For the year ended 31 March 2025

	Note	Called up Share capital £m	Share premium £m	Cash flow hedge reserve £m	Revaluation reserve £m	Retained earnings/ (accumulated losses) £m	Total equity
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	43	–	–	18.7	–	–	18.7
Deferred tax charge on cash flow hedge	44	–	–	(4.7)	–	–	(4.7)
Net actuarial gain on pension scheme	24	–	–	–	–	18.9	18.9
Deferred tax charge on net actuarial gain	44	–	–	–	–	(5.9)	(5.9)
Total comprehensive income/(expense)		–	–	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	9	–	–	–	–	(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
Loss for the year		–	–	–	–	(1,768.2)	(1,768.2)
Cash flow hedge transfer to the Income Statement	43	–	–	2.8	–	–	2.8
Deferred tax charge on cash flow hedge	44	–	–	(0.7)	–	–	(0.7)
Net actuarial gain on pension scheme	24	–	–	–	–	21.0	21.0
Deferred tax charge on net actuarial gain	44	–	–	–	–	(5.2)	(5.2)
Total comprehensive income/(expense)		–	–	2.1	–	(1,752.4)	(1,750.3)
Transfer of depreciation ¹		–	–	–	(29.8)	29.8	–
Deferred tax on depreciation transfer ¹		–	–	–	7.5	(7.5)	–
31 March 2025		76.5	100.0	–	748.6	(811.6)	113.5

1 The movement between the revaluation reserve and retained earnings arises from the depreciation and associated deferred tax on the fair value uplift on assets. This relates to assets that were revalued during the IFRS transition and received an uplift in their value, where the uplift was recognised in equity as a separate revaluation reserve balance. This depreciation on the uplift is transferred to retained earnings along with the associated deferred tax as per IAS 16 guidance.

2 47,500,000 shares with a nominal value of £1 each were issued during the prior reporting period to the immediate parent, Thames Water Utilities Holdings Limited, for a total value of £47,500,000. Refer to note 44 for further detail.

Company Statement of Cash Flows

For the year ended 31 March 2025

	Note	2025			Restated ¹ 2024		
		Underlying £m	BTL £m	Total £m	Underlying £m	BTL £m	Total £m
Net cash generated by/(used in) operating activities²	48	1,268.3	19.5	1,287.8	1,170.3	(0.7)	1,169.6
<i>Investing activities:</i>							
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 ⁴		21.0	–	21.0	6.4	–	6.4
Interest received		188.7	–	188.7	216.8	–	216.8
Repayment of loans by parent company		–	–	–	–	–	–
Net cash used in investing activities		(1,829.9)	–	(1,829.9)	(1,669.9)	–	(1,669.9)
<i>Financing activities:</i>							
New loans raised ⁵		1,170.8	–	1,170.8	3,099.4	–	3,099.4
Repayment of borrowings ⁶		(936.6)	–	(936.6)	(2,687.6)	–	(2,687.6)
Amounts received on behalf of group undertakings		30.6	–	30.6	–	–	–
Proceeds from derivative settlement ⁷		19.8	–	19.8	–	–	–
Payment for derivative settlement ⁸		(132.2)	–	(132.2)	(117.2)	–	(117.2)
Repayment of lease principal		(11.1)	–	(11.1)	(10.2)	–	(10.2)
Interest paid		(432.3)	–	(432.3)	(393.5)	–	(393.5)
Financing fees paid ⁹		(86.0)	–	(86.0)	(8.2)	–	(8.2)
Dividends paid ¹⁰		–	–	–	(64.6)	–	(64.6)
Net cash used in financing activities		(377.0)	–	(377.0)	(181.9)	–	(181.9)
Net (decrease)/increase in cash and cash equivalents		(938.6)	19.5	(919.1)	(681.5)	(0.7)	(682.2)
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		208.0	25.8	233.8	1,146.6	6.3	1,152.9

1 The prior year results have been restated due to adjustments identified related to (i) adoption of nil cost assets and (ii) change in accounting policy impacting the prior year presentation of the net settled dividend, refer to page 126 for further information.

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 includes 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 11. 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) of disposal presented in other operating income, which was in exchange for land (non-cash).

5 New loans raised of £1,170.8 million (2024: £3,099.4 million) represents £365.8 million raised by TWUF and on-lent to the Company (2024: £3,099.4 million) and £805 million raised by TWUL directly (2024: £nil). These funds raised relate to drawdowns of 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 issued by TWUL, 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 £936.6 million (2024: £2,687.6 million) mainly represents amounts repaid to TWUF and includes £490.7 million (2024: £735.9 million) of repayments relating to revolving credit facilities, £142.4 of Class A bonds and loans (2024: £nil), and no Class B loans (2024: £735.9 million). The remaining £303.5 million (2024: £1,951.7 million) includes £146.6 million relating to amounts repaid to TWUF (2024: £1,438.8 million), £156.9 million repaid to external counterparties (2024: £507.4 million). No amounts were repaid to TWUHL (2024: £5.2 million) or TWL (2024: £0.3 million).

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

8 Payment for derivative settlement of £132.2 million (2024: £117.2 million) relates to £nil accretion paydown on index-linked swaps (2024: £117.2 million) and £132.2 million (2024: £nil) relates 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 costs of £105.7 million (2024: £nil), and consent swap fee derivatives of £77.6 million (2024: £nil) recognised in the Income Statement have not been paid as at 31 March 2025.

10 Further information on the dividends paid can be found in Note 9.

Bazalgette Tunnel Limited (BTL) is an independent company, appointed in 2015 to construct the Thames Tideway Tunnel. Information on how the Company accounts for this arrangement is detailed in the accounting policies.

Notes to the Company financial statements

32. Operating expenses

The Company's total operating expenses for the year end 31 March 2025 are £2,417.2 million (2024: £2,149.8 million). This is the same as the Group's total operating expenses for the year (2024: lower by £0.1 million).

Included in this amount is £219.9 million (2024: £43.9 million) of exceptional costs that reflect a provision related to Ofwat's regulatory investigation into our Wastewater Business and operation of sewage treatment works of £104.0 million (2024: £nil), a provision related to Ofwat's dividend investigation of £18.2 million (2024: £nil), financial restructuring of £64.5 million (2024: £31.3 million), and turnaround and transformation expenditure of £33.2 million (2024: £12.6 million) incurred as a result of significant restructuring of the business. These costs are considered exceptional in nature, with additional significant expenditure to be incurred that is not in the ordinary course of business. The tax impact of exceptional items is a reduction in the tax charge in the Income Statement of £24.4million (2024: £11.0 million) applying the 25% corporation tax rate (2024: 25%).

33. Finance income and expense

During the year ended 31 March 2025, the Company recognised finance income of £355.1 million (2024: £305.0 million) relating mainly to interest income on swaps, intercompany loans receivable and bank deposits.

Finance income

Year ended 31 March	2025 £m	2024 £m
Interest income on money market funds, short-term investments and cash at bank and in hand	46.6	50.1
Interest income on intercompany loans receivable	91.5	97.8
Interest income on swaps	126.4	156.7
Trading interest income	0.4	0.4
Gross finance income	264.9	305.0
Exceptional debt restructuring recharge	90.2	–
Total finance income	355.1	305.0

Exceptional debt restructuring recharge of £90.2 million (2024: £nil) related to the deemed settlement from TWUF of the intercompany amendment fee.

Finance expense

The Company also recognised finance expenses of £1,041.1 million (2024: £746.5 million) relating mainly to interest and accretion on borrowings, interest on defined benefit pension obligations and other finance fees.

Year ended 31 March	Note	2025 £m	2024 £m
Interest expense in relation to bank and other loans		(165.9)	(131.7)
RPI accretion on bank and other loans		(31.8)	(48.5)
Interest expense in relation to intercompany borrowings		(589.7)	(490.1)
RPI accretion on intercompany borrowings		(134.5)	(222.6)
Net interest expense on defined benefit obligation	24	(5.2)	(7.6)
Interest expense on leases	13	(3.5)	(3.1)
Trading interest expense		(0.2)	(0.1)
Other finance fees		0.2	(2.2)
Gross finance expense		(930.6)	(905.9)
Capitalised borrowing costs		187.1	159.4
Exceptional debt restructuring costs		(297.6)	–
Total finance expense		(1,041.1)	(746.5)

The exceptional items of £297.6 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. Of the total expense relating to consent fees, £90.2 million related to the intercompany amendment fee settled with TWUF.
- £90.2 million (2024: £nil) related to the intercompany amendment fee settled with TWUF, for which there is an offsetting recharge within financing income.
- £14.9 million (2024: £nil) relating to the recognition of a newly created intercompany liability for TWUF consent fee derivatives, which were classified as derivatives in TWUF, but will ultimately be funded by TWUL.
- £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 net exceptional items is a reduction in the tax charge in the Income Statement of £51.7 million (2024: £nil) applying the 25% corporation tax rate (2024: 25%).

34. Net (losses)/gains on financial instruments

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

Year ended 31 March	2025 £m	2024 £m
Net exchange gains on foreign currency borrowings	13.4	30.1
Net (losses)/gains arising on swaps where hedge accounting is not applied ¹	(176.5)	9.3
Gain on loan extension ²	–	11.6
Losses on cash flow hedge transferred from equity ³	(2.8)	(18.7)
Gross net (losses)/gains on financial instruments	(165.9)	32.3
Exceptional debt restructuring costs	(77.6)	–
Total	(243.5)	32.3

¹ In the current period, the net gains arising on swaps where hedge accounting is not applied primarily reflects higher interest rate expectations, higher recovery rate assumptions and lower inflation rate expectations. The amount includes the fair value of £188.6 million (2024: £270.8 million) accreted on index-linked swaps during the year. In September 2023, £93.8 million was paid to early settle £100.8 million accretion on index-linked swaps, the difference of £7.0 million reflecting the discount for early repayment.

² Gain on extinguishment of debt in the prior period includes £4.6 million relating to two loan amendments 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 the partial repurchase of the intercompany loan relating to the £500.0 million Class A fixed rate bond (originally due to mature in 2025) in January 2024.

³ Refer to note 42: Financial instruments for more information on the loss on cash flow hedge transferred from equity.

The Company recognised £77.6 million (2024: £nil) exceptional items on financial restructuring recognised in net (losses)/gains on financial instruments relating to consent fee derivatives that are 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 £19.4 million (2024: £nil) applying the 25% corporation tax rate (2024: 25%).

Notes to the Company financial statements continued

35. Tax (credit)/charge on (loss)/profit on ordinary activities

Year ended 31 March	2025				2024			
	Underlying £m	Exceptional items £m	BTL £m	Total £m	Underlying £m	Exceptional items £m	BTL £m	Total £m
<i>Current tax:</i>								
Amounts payable/(receivable) in respect of group relief	95.7	(95.7)	–	–	20.9	(11.0)	29.2	39.1
Adjustments in respect of prior periods	(20.8)	11.0	(29.2)	(39.0)	(54.5)	–	–	(54.5)
Current tax subtotal	74.9	(84.7)	(29.2)	(39.0)	(33.6)	(11.0)	29.2	(15.4)
<i>Deferred tax:</i>								
Origination and reversal of timing differences	(96.1)	–	–	(96.1)	(15.1)	–	–	(15.1)
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	(99.1)	–	–	(99.1)	55.0	–	–	55.0
Tax (credit)/charge on (loss)/profit on ordinary activities	(24.2)	(84.7)	(29.2)	(138.1)	21.4	(11.0)	29.2	39.6

The tax credit 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:

Year ended 31 March	Underlying £m	2025 Exceptional items £m	BTL £m	Total £m	Effective tax rate %	2024				Effective tax rate %
						Underlying £m	Exceptional items £m	BTL £m	Total £m	
(Loss)/profit on ordinary activities before taxation	(88.4)	(1,953.0)	135.1	(1,906.3)		35.4	(162.8)	116.6	(10.8)	
Corporation tax at 25% (2024: 25%) on (loss)/profit on ordinary activities before taxation	(22.1)	(488.2)	33.8	(476.5)	25.0%	8.8	(40.7)	29.2	(2.7)	25.0%
Effects of:										
<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	10.5	30.5	–	41.0		4.8	–	–	4.8	
Non-taxable income ²	(15.6)	–	–	(15.6)		(14.0)	–	–	(14.0)	
Property disposals	–	–	–	–		(1.5)	–	–	(1.5)	
Impact of tax loss not paid for at standard rate ³	20.4	–	(33.8)	(13.4)		–	–	–	–	
Other	–	–	–	–		1.4	–	–	1.4	
Tax charge/(credit) as adjusted for recurring items	(0.4)	(457.7)	–	(458.1)	24.0%	5.8	(40.7)	29.2	(5.7)	52.8%
<i>Non-recurring items:</i>										
Effect of tax rate change ⁴	(3.3)	–	–	(3.3)		–	–	–	–	
Impairment losses	–	44.4	–	44.4		–	–	–	–	
Expected credit losses	–	317.6	–	317.6		–	29.7	–	29.7	
Adjustments in respect of prior periods – current tax ⁵	(20.8)	11.0	(29.2)	(39.0)		(54.5)	–	–	(54.5)	
Adjustments in respect of prior periods – deferred tax ⁵	0.3	–	–	0.3		70.1	–	–	70.1	
Total tax (credit)/charge	(24.2)	(84.7)	(29.2)	(138.1)	7.2%	21.4	(11.0)	29.2	39.6	36.6%

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 service connections fixed assets is not eligible for capital allowances.

3 In the current year, all taxable profits of the Company 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 were used to cover the taxable profits of BTL, for which no payment will be made as all amounts arose within the Company. 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.

5 During the current year, the Company finalised its corporation tax returns for the 31 March 2024. It had expected to pay 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 the securitised group. Therefore, the group relief tax charge for 31 March 2024 has been reversed in the current year, while the deferred tax prior year charge arose at 25% from the higher capital allowance claim and the sale of losses for the prior year.

The Company 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 in holding companies. The differences between (loss)/profit on ordinary activities before taxation at the standard corporation tax rate and the current tax (credit)/charge for the year are set out below.

Notes to the Company financial statements continued

35. Tax (credit)/charge on (loss)/profit on ordinary activities continued

Year ended 31 March	Underlying £m	2025 Exceptional items £m	BTL £m	Total £m	Underlying £m	2024 Exceptional items £m	BTL £m	Total £m
(Loss)/profit on ordinary activities before taxation	(88.4)	(1,953.0)	135.1	(1,906.3)	35.4	(162.8)	116.6	(10.8)
Corporation tax at 25% (2024: 25%) on (loss)/profit on ordinary activities before taxation	(22.1)	(488.2)	33.8	(476.5)	(8.8)	(40.7)	29.2	(2.7)
<i>Effects of:</i>								
Depreciation on assets that do not qualify for relief	6.4	–	–	6.4	6.3	–	–	6.3
Disallowable expenditure ¹	10.5	30.5	–	41.0	4.8	–	–	4.8
Non-taxable income ²	(15.6)	–	–	(15.6)	(14.0)	–	–	(14.0)
Property disposals	–	–	–	–	(1.5)	–	–	(1.5)
Impact of tax loss not paid for at standard rate ³	20.4	–	(33.8)	(13.4)	–	–	–	–
Capital allowances for the year lower than depreciation ⁶	140.7	–	–	140.7	132.8	–	–	132.8
Capitalised borrowing costs allowable for tax ⁷	(46.7)	–	–	(46.7)	(36.8)	–	–	(36.8)
Losses/(gains) on financial derivatives ⁸	12.4	–	–	12.4	(72.9)	–	–	(72.9)
Pension cost charge lower than pension contributions	(3.0)	–	–	(3.0)	(9.5)	–	–	(9.5)
Other short-term timing differences	(7.3)	–	–	(7.3)	2.9	–	–	2.9
Impairment losses	–	44.4	–	44.4	–	–	–	–
Expected credit losses	–	317.6	–	317.6	–	29.7	–	29.7
Adjustments in respect of prior periods – current tax ⁵	(20.8)	11.0	(29.2)	(39.0)	(54.5)	–	–	(54.5)
Current tax charge/(credit) for the year	74.9	(84.7)	(29.2)	(39.0)	(33.6)	(11.0)	29.2	(15.4)

⁶ Capital allowances claimed 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. 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 directly to other comprehensive income

The deferred tax charged directly to other comprehensive income during the year is as follows:

Year ended 31 March	2025 £m	2024 £m
Deferred tax charge on net actuarial gain in the year	(5.2)	(5.9)
Deferred tax charge on cash flow hedges in the year	(0.7)	(4.7)
Total tax charged 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 would increase from 19% to 25%. 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.

36. Investment in subsidiary undertaking

As at 31 March

	2025 £m	2024 £m
<i>Cost</i>	207.8	207.7
<i>Accumulated impairment:</i>		
Impairment in TWUF	(177.5)	–
Net book value	30.3	207.7

The Company has no interest in joint ventures or associates. The subsidiary undertakings are wholly owned by the Company.

As at 25 February 2025 the Company 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 the Company 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 Finance plc	Direct	Finance Company	United Kingdom	£1 Ordinary	100%
Thames Water Super Senior Issuer plc	Direct	Finance Company	United Kingdom	£1 Ordinary	100%

The address of the registered office of Thames Water Utilities Finance plc (TWUF) and Thames Water Super Senior Issuer plc (TWSSI) is Clearwater Court, Vastern Road, Reading, Berkshire, RG1 8DB.

Management makes an estimate of the recoverable value of the investment as per IAS 36. When assessing this recoverable value of TWUF, management have performed an analysis that takes into account expected changes in debt and margin earned by the TWUF into perpetuity to derive a recoverable value. Management uses estimates and external models to calculate future cash flows and to determine how much future debt will be issued. The recoverable value is derived as the fair value less costs to sell of the business using an income approach. Management does not believe a value in use to be an appropriate method to apply given that the ongoing debt restructuring conversations may change TWUF's capital structure and how much margin it can expect to earn in the foreseeable future.

Due to expected future changes in debt as a result of the court led restructuring process including an expected haircut on debt impacting the back to back debts owed by the Company to TWUF on which TWUF earns a margin, management have estimated that the margin arrangement will decrease resulting in lower profits for TWUF to retain. The discounting of these profits over an explicit forecast period (5 years) and then into perpetuity at a rate representing senior credit curves; has resulted in a future net asset value lower than the cost of the investment held. An impairment of £177.5 million (2024: none) on the investment in TWUF has been recognised. This has been recognised in the Income Statement as an exceptional item in the current period as these losses are not as a result of the ordinary course of business.

No indications of impairment have been identified for the investment held in TWSSI as at 31 March 2025.

Notes to the Company financial statements continued

37. Intercompany loans receivable

	2025 Fair value £m	2024 Fair value £m
<i>Amounts owed by group undertakings:</i>		
Thames Water Utilities Holdings Limited	1,249.1	1,249.1
Thames Water Utilities Finance plc	300.0	300.0
Total principal owed	1,549.1	1,549.1
<i>Interest receivable on amounts owed by group undertakings:</i>		
Thames Water Utilities Holdings Limited	140.4	70.4
Thames Water Utilities Finance plc	56.5	51.2
Total interest receivable	196.9	121.6
<i>Expected credit losses on amounts owed by group undertakings:</i>		
Provision for expected credit losses	(1,389.5)	(118.9)
Total	356.5	1,551.8
Disclosed within non-current assets	300.0	1,200.6
Disclosed within current assets	56.5	351.2

The above intercompany loans are unsecured. These balances have not been included within the Company's net debt and covenant calculations.

Intercompany loans receivable due to the Company include the following:

- £735.7 million (2024: £735.7 million) owed by Thames Water Utilities Holdings Limited (TWUHL, the Company's immediate parent): the loan is unsecured and interest is charged at a rate of SONIA + 0.6266% (2024: SONIA + 0.6266%). The loan was originally repayable on 30 August 2037, but on the 25 February 2025 had its maturity extended to 30 August 2039. In the event the Group's Class A and Class B debt obtains two investment grade ratings, amongst other requirements, the maturity date will revert to the original maturity date.
- £513.4 million (2024: £513.4 million) owed by TWUHL: is unsecured and interest is charged at a rate of SONIA + 0.6266% (2024: SONIA + 0.6266%). On 25 February 2025 its terms changed such that it is no longer repayable on demand so long as the Company remains in the stable platform period, which commenced on 25 February 2025 and will apply until the next senior debt maturity date (currently 22 March 2027). At 31 March 2024 the TWUL Directors provided a letter of comfort to the Directors of Thames Water Holdings Limited stating that they do not expect to seek repayment of the loan outstanding or interest owed by Thames Water Utilities Holdings Limited for at least 12 months from the date of signing the financial statements and, as such, the loan was classified as non-current. At 31 March 2025 the loan was also classified as non-current in line with contractual terms of the loan and the fact there continues to be no expectation to repay this loan within the next twelve months.
- £200.0 million (2024: £200.0 million) owed by Thames Water Utilities Finance plc (TWUF, the Company's financing subsidiary): the interest charge per the agreement is LIBOR plus 2% margin (2024: LIBOR plus 2% margin), but in line with the GBP LIBOR transition plan, the accruals have been calculated at a rate of SONIA plus 2% margin. On 25 February 2025 its terms changed such that it is no longer repayable on demand so long as the Company remains in the stable platform period. At 31 March 2024 as the loan and associated interest was repayable on demand, they were classified as current. At 31 March 2025 the loan was classified as non-current in line with contractual terms of the loan. Interest on external loans will be settled in the next twelve months, resulting in an expected deemed cash settlement between TWUF and TWUL and therefore the intercompany accrued interest is classified as current.

- £100.0 million (2024: £100.0 million) owed by TWUF: the interest charge per the agreement is LIBOR plus 1.55% margin (2024: LIBOR plus 1.55% margin), but in line with the GBP LIBOR transition plan, the accruals have been calculated at a rate of SONIA plus 1.55% margin. On 25 February 2025 its terms changed such that it is no longer repayable on demand so long as the Company remains in the stable platform period. At 31 March 2024 as the loan and associated interest was repayable on demand, they were classified as current. At 31 March 2025 the loan was classified as non-current in line with contractual terms of the loan. Interest on external loans will be settled in the next twelve months, resulting in an expected deemed cash settlement between TWUF and TWUL and therefore the intercompany accrued interest is classified as current.

During the year ended 31 March 2025, the Company accrued £70.0 million of interest income related to the intercompany loans due from TWUHL (2024: £70.2 million). As at 31 March 2025, £140.4 million interest receivable is outstanding from TWUHL (2024: £70.4 million) relating to the intercompany loans.

During the year ended 31 March 2025, the Company accrued £21.6 million of interest income related to the intercompany loans due from TWUF (2024: £27.5 million). As at 31 March 2025, £56.5 million of interest receivable is outstanding from TWUF (2024: £51.2 million) relating to these loans.

Expected credit loss of intercompany loans receivable due from TWUHL assessment

Refer to the intercompany loans receivable significant accounting judgement on pages 120 to 121 for further details on the expected credit loss.

Expected credit loss of intercompany loans receivable due from TWUF assessment

Refer to the intercompany loans receivable significant accounting judgement on page 121 for further details on the expected credit loss assessment.

38. Trade and other receivables

As at 31 March	2025			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	42.5	–	42.5	38.1	–	38.1
Other receivables	2.1	–	2.1	0.8	–	0.8
	44.6	623.9	668.5	38.9	493.4	532.3
<i>Current:</i>						
Gross trade receivables	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	44.5	–	44.5	41.9	–	41.9
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 by group undertakings	1.3	–	1.3	2.9	–	2.9
	830.6	30.3	860.9	770.9	33.2	804.1
Total	875.2	654.2	1,529.4	809.8	526.6	1,336.4

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

Notes to the Company financial statements continued

38. Trade and other receivables continued

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 realised over the useful economic life of the assets recognised on control of the tunnel.

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 £4.3 million of bad debt (2024: £9.3 million). The remaining amount is for accrued capital contributions and accrued income from the BTL arrangement.

BTL receivables relates to the amount of receivables collected from other parties and passed on to BTL.

Expected credit losses provision

Refer to note 16 for details of the movements in the expected credit losses provision.

39. Cash and cash equivalents

As at 31 March	2025			2024		
	Underlying £m	BTL £m	Total £m	Underlying £m	BTL £m	Total £m
Cash at bank and in hand ¹	79.0	–	79.0	14.8	–	14.8
Money market funds and short-term investments	200.2	25.8	226.0	1,258.5	6.3	1,264.8
Cash and cash equivalents²	279.2	25.8	305.0	1,273.3	6.3	1,279.6
Bank overdraft ³	(71.2)	–	(71.2)	(126.7)	–	(126.7)
Total	208.0	25.8	233.8	1,146.6	6.3	1,152.9

¹ Within Cash and cash equivalents there was £72.2 million held 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.

² As 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.

³ Bank 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 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 Statement of Cash Flows can be reconciled to the related items in the 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.

40. Trade and other payables

As at 31 March	2025			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	276.7	–	276.7	308.5	–	308.5
Amounts owed to group undertakings	136.3	–	136.3	90.8	–	90.8
Other taxation and social security	11.2	–	11.2	10.7	–	10.7
Group relief payable	–	16.6	16.6	9.8	45.8	55.6
Accruals	559.2	–	559.2	469.5	–	469.5
Amounts owed to Bazalgette Tunnel Limited	–	20.8	20.8	–	8.9	8.9
Other payables	131.0	–	131.0	111.9	–	111.9
	1,114.4	37.4	1,151.8	1,001.2	54.7	1,055.9
<i>Current:</i>						
Contract liabilities	169.3	0.5	169.8	132.9	0.5	133.4
	1,283.7	37.9	1,321.6	1,134.1	55.2	1,189.3
Total	2,443.1	37.9	2,481.0	2,173.2	55.2	2,228.4

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 payment in advance in relation to compensation received for infrastructure charges, including deposits and other fees for service connections and requisitions.

Amounts owed to group undertakings at 31 March 2025 of £136.3 million (2024: £90.8 million) primarily reflects £136.3 million (2024: £90.1 million) relating to interest received by the Company on behalf of TWUF plc in relation to restructured swaps.

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 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 their fair value as outlined in the ‘Comparison of fair value of financial instruments with their carrying amounts’ section of note 40: Financial instruments.

Notes to the Company financial statements continued

41. Borrowings

As at 31 March	2025 £m	Restated ¹ 2024 £m
Secured bank loans and private placements	3,711.0	2,947.8
Amounts owed to group undertakings ²	13,405.7	13,680.0
	17,116.7	16,627.8
Interest payable on secured bank loans and private placements	44.6	30.4
Interest payable on amounts owed to group undertakings	391.2	301.3
	435.8	331.7
Total	17,552.5	16,959.5
Disclosed within non-current liabilities	435.8	15,527.1
Disclosed within current liabilities	17,116.7	1,432.4
Total	17,552.5	16,959.5

- 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 as discussed on pages 124 to 125.
2 Included in Amounts owed to amounts owed to group undertakings is £14.9 million (2024: £nil) relating to the recognition of a newly created intercompany liability for TWUF consent fee derivatives, which were classified as derivatives in TWUF, but will ultimately be funded by TWUL.

The Company, its wholly owned financing subsidiary, TWUF, and its immediate parent, Thames Water Utilities Holdings Limited (TWUHL), are the Obligor within a Whole Business Securitisation (WBS) group. Secured bank loans, private placements and amounts owed to group undertakings are in an arrangement whereby each Obligor (representing each of the companies within the WBS group) has entered into a Security Trust and Intercompany Deed (STID) with the Security Trustee. Pursuant to this arrangement, TWUHL guaranteed the obligations of each other Obligor under the finance agreement. Additionally, the Company, 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 TWUHL guarantee the debt of TWSSI with the amount drawn being £nil at 31 March 2025 (2024: not applicable). Following the transition to IFRS 17, the Company made the election to apply the requirements in IAS 32 Financial Instruments: Presentation, IFRS 7 Financial Instruments: Disclosures and IFRS 9 Financial Instruments to these financial guarantee contracts. Refer to the accounting policies on pages 115 to 116 for more information.

As at 31 March 2025, amounts owed to group undertakings, including interest, are unsecured and include the following:

- £13,796.8 million (2024: £13,981.3 million) owed to TWUF. Financing costs arising in TWUF are directly recharged with an additional margin of 10 basis points or 1 basis point, except for a subset of loans where financing costs are recharged under mirrored terms.

Breakdown of secured bank loans and private placements:

As at 31 March	2025 £m	2024 £m
£144.8m 0.790% index-linked loan due 2033 (a), (d), (f), (i), (k)	151.2	145.9
£180.1m 0.5975% index-linked loan due 2033 (a), (d), (f), (j), (k)	186.0	179.2
£215.0m 0.380% index-linked loan due 2032 (a), (b), (f), (k), (n)	172.9	187.6
£100.0m 3.261% index-linked loan due 2043 (a), (c), (f), (k)	163.5	168.2
£70.0m Class B 3.867% fixed rate loan due 2026 (a), (k)	70.2	70.0
£50.0m Class B 3.875% fixed rate loan due 2026 (a), (k)	50.0	50.0
£39.0m Class B 3.918% fixed rate loan due 2026 (a), (k)	38.9	38.8
£20.0m Class B floating rate loan due 2026 (a), (g), (k)	20.0	20.0
£50.0m Class B floating rate loan due 2025 (a), (g), (k)	50.0	49.9
£100.0m Class B floating rate loan due 2028 (a), (g), (k)	99.5	99.3

As at 31 March	2025 £m	2024 £m
£150.0m Class B floating rate loan due 2029 (a), (g), (k)	149.0	148.8
\$285.0m 3.570% private placement due 2025 (a), (k), (m)	220.6	225.4
£216.0m 2.450% private placement due 2028 (a), (k)	215.8	215.7
£210.0m 2.550% private placement due 2030 (a), (k)	209.6	209.5
£40.0m 2.620% private placement due 2033 (a), (k)	39.9	39.9
\$95.0m 4.890% private placement due 2029 (a), (e), (k)	73.4	75.0
£18.0m 4.800% private placement due 2029 (a), (k)	18.0	18.0
\$256.0m 5.010% private placement due 2032 (a), (e), (k)	197.7	202.0
\$81.0m 5.300% private placement due 2037 (a), (e), (k)	62.5	63.9
£150.0m 4.940% private placement due 2037 (a), (k)	149.6	149.6
£90.0m 5.120% private placement due 2042 (a), (k)	89.7	89.7
£125.0m floating rate loan due 2024 (a), (g), (h)	–	125.0
£51.1m floating rate loan due 2029 (a), (g), (k)	50.9	51.0
£63.1m floating rate loan due 2031 (a), (g), (k)	63.0	62.9
£100.0m floating rate loan due 2029 (a), (g), (k)	99.7	99.7
£98.5m floating rate loan due 2029 (a), (g), (k)	98.2	98.2
£65.0m Class B floating rate loan due 2027 (a), (g), (k)	64.7	64.6
£80.0m Class A floating rate loan due 2026 (k)	80.0	–
£725.0m Class A floating rate loan due 2025 (k)	721.8	–
Consent Fee Debt (l)	104.7	–
Total secured bank loans and private placements	3,711.0	2,947.8

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) This debt amortises from 2023 to 2033 in tranches of £3.0 million, followed by tranches of £750,000 until maturity, where there will be a bullet repayment of £25.0 million.
(d) These loans contain a collar mechanism that limits total accretion repayment within a predetermined range.
(e) The Company has entered into cross currency swap agreements which convert this debt into sterling debt.
(f) The value of the capital and interest elements of the index-linked loans is linked to movements in the Retail Price Index (RPI).
(g) These loans' interest rates are based on SONIA (Sterling Overnight Index Average).
(h) These loans contain a circular economy adjustment that reduce the interest rate of the loans if certain key performance indicators are met.
(i) In April 2022, the Company repaid early the £63.1 million floating rate loan that was due to mature in 2027 and made a part-prepayment of £11.9 million of the £63.1 million (now £51.2 million) floating rate loan that matures in 2029.
(j) 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, again an extinguishment of £3.6 million was recognised in the Income Statement under net gains/(losses) on financial instruments.
(k) 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 maturities, if the Group meets investment grade with two rating agencies. As discussed on page 123, 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.
(l) 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.
(m) In March 2025 the cross-currency interest rate swaps that were entered into to hedge the foreign currency risk, matured in line with the original maturity date of the debt. At 31 March 2025 the Company had an unhedged position on this debt.
(n) 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.

Notes to the Company financial statements continued

41. Borrowings continued

Breakdown of amounts owed to group undertakings:

These amounts are intercompany loans.

As at 31 March

THAMES WATER UTILITIES FINANCE PLC

	2025 £m	2024 £m
£330.0m 6.750% fixed rate loan due 2028 (b), (k)	328.7	328.5
£200.0m 6.500% fixed rate loan due 2032 (b), (k)	198.6	198.4
£600.0m 5.125% fixed rate loan due 2037 (b), (k)	597.3	597.1
£300.0m 1.680% index-linked loan due 2053 (b), (h), (k)	599.4	578.8
£300.0m 1.681% index-linked loan due 2055 (b), (h), (k)	599.4	578.8
£82.0m 2.9720% fixed rate loan due 2026 (a), (k)	81.9	81.9
£101.3m 3.2300% fixed rate loan due 2029 (a), (k)	101.2	101.1
£44.1m 3.1468% fixed rate loan due 2030 (a), (k)	44.1	43.9
£161.1m 4.534% fixed rate loan due 2027 (a), (k)	161.3	161.0
£100.0m 1.790% index-linked loan due 2029 (d), (h), (k)	101.6	140.1
£300.0m 4.375% fixed rate loan due 2034 (a), (b), (k)	297.0	296.8
¥20.0bn 3.280% fixed rate loan due 2038 (a), (f), (k)	103.4	104.6
£200.0m 0.205% index-linked loan due 2039 (a), (d), (h), (k)	203.3	281.8
£50.0m 3.853% index-linked loan due 2040 (a), (c), (k)	80.4	78.6
£500.0m 5.500% fixed rate loan due 2041 (a), (b), (k)	491.5	491.1
£50.0m 1.980% index-linked loan due 2042 (a), (b), (h), (k)	94.2	91.0
£55.0m 2.091% index-linked loan due 2042 (a), (b), (h), (k)	100.8	97.3
£40.0m 1.974% index-linked loan due 2045 (a), (b), (h), (k)	52.4	52.5
£300.0m 4.625% fixed rate loan due 2046 (a), (b), (k)	294.1	294.2
£100.0m 1.846% index-linked loan due 2047 (a), (b), (h), (k)	188.4	182.1
£200.0m 1.819% index-linked loan due 2049 (a), (b), (h), (k)	376.2	363.6
£200.0m 1.771% index-linked loan due 2057 (a), (b), (h), (k)	375.8	363.2
£100.0m index-linked loan due 2060 (a), (h), (k)	99.9	101.8
£350.0m 1.760% index-linked loan due 2062 (a), (b), (h)	657.2	634.9
£500.0m 4.000% fixed rate loan due 2025 (a), (b), (e)	314.3	313.9
£40.0m 0.750% index-linked loan due 2034 (a), (b), (h)	60.3	58.2
£45.0m 0.721% index-linked loan due 2027 (a), (b), (h)	67.8	65.4
£300.0m 3.500% fixed rate loan due 2028 (a), (b), (k)	298.8	298.3
£400.0m 7.738% fixed rate bond due 2058 (a), (b), (k)	415.6	416.6
£250.0m 2.625% fixed rate bond due 2032 (a), (b), (k)	248.5	248.3
£250.0m 2.875% Class B fixed rate bond due 2027 (a), (b), (k)	249.1	248.7
£143.6m 2.296% fixed rate bond due 2024 (a), (b)	–	143.5
£350.0m 2.375% fixed rate bond due 2040 (a), (b), (k)	346.6	346.4
£40.0m 2.442% fixed rate bond due 2050 (a), (b), (k)	39.9	39.9
£44.2m 1.619% fixed rate bond due 2030 (a), (k)	44.0	44.1

As at 31 March

	2025 £m	2024 £m
£29.6m 1.233% fixed rate bond due 2027 (a), (k)	29.7	29.6
£483.6m 2.218% fixed rate bond due 2028 (a), (k)	482.6	482.1
£483.7m 2.483% fixed rate bond due 2032 (a), (k)	482.2	481.9
£200.0m Class B floating rate loan due 2026 (a), (b), (i), (k)	199.3	198.7
£573.6m 4.100% fixed rate bond due 2027 (a), (k)	574.8	574.2
£882.9m 4.475% fixed rate bond due 2031 (a), (k)	883.8	883.3
£270.0m floating rate loan due 2024 (a), (g) (j)	–	270.0
£260.0m floating rate loan due 2024 (a), (g), (j)	–	260.0
£280.0m floating rate loan due 2024 (a), (g), (j)	–	280.0
£250.0m floating rate loan due 2024 (a), (g) (j)	–	250.0
£150.0m floating rate loan due 2025 (a), (g) (j), (k)	150.0	–
£260.0m floating rate loan due 2025 (a), (g), (j), (k)	260.0	–
£250.0m floating rate loan due 2025 (a), (g), (j), (k)	250.0	–
£280.0m floating rate loan due 2025 (a), (g) (j), (k)	280.0	–
£220.7m Class B floating rate loan due 2024 (a), (g), (j)	–	220.7
£75.0m Class B floating rate loan due 2024 (a), (g), (j)	–	75.0
£75.0m Class B floating rate loan due 2024 (a), (l)	–	75.0
£300.0m 8.250% fixed rate bond due 2040 (a), (b), (k)	294.6	294.5
£275.0m 7.125% fixed rate bond due 2031 (a), (b), (k)	272.1	271.5
£575.0m 7.750% fixed rate bond due 2044 (a), (b), (k)	567.8	567.1
£365.8m floating rate loan due 2027 (k)	365.8	–
Total amounts owed to group undertakings	13,405.7	13,680.0

All debt is Class A except where highlighted.

(a) TWUF charges the Company a margin of 10 basis points in respect of the loans.

(b) These loans are shown net of issuance costs.

(c) This is a Limited Price Index (LPI) loan. Accretion is calculated using an adjusted UK Retail Price Index.

(d) These amounts have been swapped into RPI-linked debt within the financing subsidiary and the net proceeds lent to the Company.

(e) In January 2024, the Company repurchased £185.5 million of the intercompany loan from TWUF (out of the £500.0 million intercompany loan due in 2025) at a £7.0 million discount.

(f) The Company has entered into cross currency swap agreements which convert this debt into sterling debt.

(g) The interest margin of these loans is based on a ratings grid and varies depending on the senior debt credit rating of the Company assigned by both S&P and Moody's, and the Group's GRESB score.

(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 intercompany loan amortises semi-annually between October 2015 and October 2045 in accordance with a published schedule.

(j) These loans' interest rates are based on SONIA (Sterling Overnight Index Average).

(k) 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 123, 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.

Notes to the Company financial statements continued

42. Financial instruments

Categories of financial instruments

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

Financial assets:

As at 31 March	2025 £m	2024 £m
<i>Fair value through profit or loss</i>		
Cross currency swaps	–	26.7
Interest rate swaps	211.2	247.6
Index-linked swaps	33.0	48.7
Cash and cash equivalents – money market funds	146.3	1,264.8
	390.5	1,587.8
<i>Amortised cost</i>		
Intercompany loans receivable	356.5	1,551.8
Trade and other receivables (excluding non-financial assets)	493.5	483.2
Cash and cash equivalents – short-term investments	79.7	–
Cash and cash equivalents – cash at bank and in hand	79.0	14.8
	1,008.7	2,049.8
Total	1,399.2	3,637.6

Financial liabilities:

As at 31 March	2025 £m	2024 £m
<i>Fair value through profit or loss</i>		
Cross currency swaps	(77.2)	(79.9)
Interest rate swaps	(248.6)	(288.9)
Index-linked swaps	(1,077.8)	(1,044.0)
Consent fee derivatives	(77.6)	–
	(1,481.2)	(1,412.8)
<i>Amortised cost</i>		
Trade and other payables (excluding non-financial liabilities)	(1,140.6)	(1,045.2)
Borrowings	(17,552.5)	(16,959.5)
Lease liabilities	(53.2)	(53.0)
Bank overdraft ¹	(71.2)	(126.7)
	(18,817.5)	(18,184.4)
Total	(20,298.7)	(19,597.2)

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 was held in a pre-funding account and was sufficient to cover the cash outflows on the settlement date post year end.

Fair value measurements

Refer to Significant accounting judgements and key sources of estimation uncertainty on pages 121 and 122 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 Company.

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 that 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 ^{1,2}	
	2025 £m	2024 £m
<i>Financial assets – derivative financial instruments</i>		
Cross currency swaps	–	26.7
Interest rate swaps	211.2	247.6
Index-linked swaps	33.0	48.7
	244.2	323.0
<i>Financial liabilities – derivative financial instruments</i>		
Cross currency swaps	(77.2)	(79.9)
Interest rate swaps	(248.6)	(288.9)
Index-linked swaps	(1,077.8)	(1,044.0)
Consent fee derivatives	(77.6)	–
	(1,481.2)	(1,412.8)
Net total	(1,237.0)	(1,089.8)

¹ The fair value of derivative financial instruments, including interest rate swaps, cross currency swaps, index-linked swaps are measured using discounted cash flows of all 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 Company 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 MTM. 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 Company financial statements continued

42. Financial instruments continued

Comparison of fair value of financial instruments with their carrying amounts

The carrying amounts of the Company's intercompany loans receivable, trade and other receivables, cash and cash equivalents, and amounts owed to group undertakings are considered to be approximate to their fair values. The fair values and carrying values of the Company's other financial assets and financial liabilities are set out in the tables below.

Financial assets:

As at 31 March	2025		2024	
	Book value £m	Fair value £m	Book value £m	Fair value £m
<i>Non-current</i>				
Intercompany loans receivable ¹	300.0	227.3	1,200.6	630.1
Derivative financial instruments				
Interest rate swaps	211.2	211.2	245.1	245.1
Index-linked swaps	33.0	33.0	48.7	48.7
Other receivables (excluding non-financial assets)	44.6	44.6	38.9	38.9
	588.8	516.1	1,533.3	962.8
<i>Current</i>				
Cash and cash equivalents	305.0	305.0	1,279.6	1,279.6
Intercompany loans receivable ¹	56.5	196.9	351.2	351.2
Trade and other receivables (excluding non-financial assets)	448.9	448.9	444.3	444.3
Derivative financial instruments				
Cross currency swaps	–	–	26.7	26.7
Interest rate swaps	–	–	2.5	2.5
Total	1,399.2	1,466.9	3,637.6	3,067.1

¹ Per note 37, intercompany loans receivable includes floating rate loans and related interest. This includes two loans that are due from TWUHL, which are fully impaired and two loans with TWUF. The fair value for these loans is based on an estimate of future cash flows, including expectations about possible variations in the amount and timing of these cashflows.

Financial liabilities:

As at 31 March	2025		Restated ¹ 2024	
	Book value £m	Fair value £m	Book value £m	Fair value £m
<i>Non-current</i>				
Borrowings				
Secured bank loans and private placements	(3,711.0)	(2,503.4)	(2,566.1)	(2,159.8)
Amounts owed to group undertakings	(13,405.7)	(9,600.6)	(11,580.3)	(9,530.0)
Derivative financial instruments				
Cross currency swaps	(20.0)	(20.0)	(79.9)	(79.9)
Interest rate swaps	(248.6)	(248.6)	(288.9)	(288.9)
Index-linked swaps	(1,068.8)	(1,068.8)	(939.5)	(939.5)
Consent fee derivatives	(77.6)	(77.6)	–	–
Lease liabilities	(46.7)	(46.7)	(45.2)	(45.2)
	(18,578.4)	(13,565.7)	(15,499.9)	(13,043.3)
<i>Current</i>				
Borrowings				
Secured bank loans and private placements	–	–	(381.7)	(372.3)
Amounts owed to group undertakings	–	–	(2,099.7)	(2,107.3)
Interest payable	(435.8)	(435.8)	(331.7)	(331.7)
Derivative financial instruments				
Cross Currency Swaps	(57.2)	(57.2)	–	–
Index-linked swaps	(9.0)	(9.0)	(104.5)	(104.5)
Trade and other payables (excluding non-financial liabilities)	(1,140.6)	(1,140.6)	(1,045.2)	(1,045.2)
Lease liabilities	(6.5)	(6.5)	(7.8)	(7.8)
Bank overdraft ²	(71.2)	(71.2)	(126.7)	(126.7)
	(1,720.3)	(1,720.3)	(4,097.3)	(4,095.5)
Total	(20,298.7)	(15,286.0)	(19,597.2)	(17,138.8)

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 as discussed on pages 124 to 125.

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 was held in a pre-funding account and was sufficient to cover the cash outflows on the settlement date post year end.

Secured bank loans, private placements and bonds issued by the Company's subsidiary, TWUF, are on-lent to the Company through intercompany agreements. Amounts owed to group undertakings include the outstanding balances owed by the Company to TWUF in respect of these intercompany agreements. The Company does not issue any bonds directly to the public markets.

The fair value methodology used for secured bank loans and private placements is the same as the Group and is outlined in the consolidated note 20.

Capital risk management

The Board maintains oversight of the Group's capital management strategy. Details of the governance framework are outlined in the consolidated financial statement note 20.

Notes to the Company financial statements continued

42. 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.

	2025			Restated ¹ 2024		
	Borrowings £m	Net derivative financial liabilities £m	Lease liabilities £m	Borrowings £m	Net derivative financial liabilities £m	Lease liabilities £m
As at 31 March						
Opening balance	(16,959.5)	(1,089.8)	(53.0)	(16,272.5)	(1,216.5)	(57.0)
Non-current	(15,527.1)	(1,014.5)	(45.2)	(13,769.4)	(1,163.1)	(49.7)
Current	(1,432.4)	(75.3)	(7.8)	(2,503.1)	(53.4)	(7.3)
Cash flows						
New loans raised ²	(1,167.1)	–	–	(3,097.4)	–	–
Repayment of borrowings	936.6	–	–	2,687.6	–	–
Repayment of lease principal	–	–	11.1	–	–	10.2
Proceeds from derivative settlement ³	–	(19.8)	–	–	–	–
Payment for derivative settlement ⁴	–	132.2	–	–	117.2	–
Interest paid ⁵	618.7	–	–	552.5	–	–
Interest received ⁶	–	(131.9)	–	–	(156.5)	–
	388.2	(19.5)	11.1	142.7	(39.3)	10.2
Non-cash changes						
Interest accrued/Fees amortised	(847.1)	126.4	–	(599.5)	156.7	–
Foreign exchange movement	13.4	–	–	30.1	–	–
Indexation	(166.3)	–	–	(271.1)	–	–
Fair value changes	–	(254.1)	–	–	9.3	–
Lease additions	–	–	(7.8)	–	–	(3.1)
Interest accrued for IFRS 16 leases	–	–	(3.5)	–	–	(3.1)
Unamortised IFRS 9 fair value adjustment	(0.4)	–	–	4.3	–	–
Unamortised IFRS 9 transition adjustment	0.7	–	–	0.7	–	–
Loan and interest paid (non-cash) ⁷	–	–	–	5.8	–	–
	(999.7)	(127.7)	(11.3)	(829.7)	166.0	(6.2)
Closing balance	(17,571.0)	(1,237.0)	(53.2)	(16,959.5)	(1,089.8)	(53.0)
Non-current	(17,135.2)	(1,170.8)	(46.7)	(14,146.4)	(1,014.5)	(45.2)
Current	(435.8)	(66.2)	(6.5)	(2,813.1)	(75.3)	(7.8)

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 as discussed on pages 124 to 125.

² New loans raised are show net of fees of £3.7 million (2024: £2.0 million).

³ Proceeds from derivative settlement of £19.8 million (2024: £nil million) relating to settlement of cross currency swaps.

⁴ Payment for derivative settlement of £132.2 million (2024: £117.2 million) relates to £nil accretion paydown on index-linked swaps (2024: £117.2 million) and £132.2 million relating to the settlement of swaps (2024: £nil).

⁵ Interest paid of £618.7 million (2024: £552.5 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 company Statement of Cash Flows of £432.3 million (2024: £393.5 million).

⁶ Interest received of £131.9 million (2024: £153.5 million) excludes £7.0 million interest received on an intercompany loan with subsidiary TWUF (2024: £8.6 million), £49.3 million interest received on bank deposits (2024: £51.0 million) and £0.5 million other interest income (2024: £0.7 million).

⁷ £5.8 million loan interest and principal settlement was by way of net settlement deed, and therefore there was no cashflow on this transaction. £0.4 million relates to interest and £5.4 million relates to principal; the prior year cashflows have been restated to reflect this transaction.

Financial risk management

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

(a) Market risk

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

	Total at fixed rates £m	Total at floating rates £m	Total at RPI linked rates £m	Total £m
As at 31 March 2025:				
Interest bearing loans and borrowings				
Net of corresponding swap assets				
- £ sterling	7,164.9	2,068.1	8,968.0	18,201.0
	Total at fixed rates £m	Total at floating rates £m	Total at RPI linked rates £m	Total £m
As at 31 March 2024:				
Interest bearing loans and borrowings				
Net of corresponding swap assets				
- £ sterling	6,089.4	2,099.8	9,410.2	17,599.4

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

	Weighted average interest rate		Weighted average period until maturity	
	2025 %	2024 %	2025 Years	2024 Years
Year ended 31 March				
Fixed	4.8	5.2	11.6	11.3
Index-linked	5.2	6.7	16.7	15.5

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.

Interest rate risk sensitivity analysis

The Company holds both fixed and floating rate borrowings. Fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. Floating rate borrowings are exposed to a risk of change in interest cash flows due to changes in interest rates. The Company uses interest rate swaps which economically hedge future cash flows to protect against interest rate movements. For details of the interest rate swaps, please see the 'Cash flow hedges' section of the consolidated note 20.

The table below summarises the impact, on pre-tax profits, of a 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.

Notes to the Company financial statements continued

42. Financial instruments continued

As at 31 March	2025 +1% £m	2025 -1% £m	2024 +1% £m	2024 -1% £m
Profit/(loss)	131.1	(157.5)	137.6	(155.4)
Equity	131.1	(157.5)	137.6	(155.4)

Exchange rate sensitivity analysis

The Company's foreign currency risk exposure results from debt raised in currencies other than sterling. The Company uses cross currency swaps to economically hedge the foreign currency exposure of 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	2025 +10% £m	2025 -10% £m	2024 +10% £m	2024 -10% £m
Loss	19.0	(24.1)	(2.3)	(8.5)
Equity	19.0	(24.1)	(2.3)	(8.5)

Inflation risk sensitivity analysis

The Company has entered into financial instruments that are directly linked to inflation including RPI-linked bonds, loans and swaps. In addition, the Company as a regulated water and wastewater company is subject to fluctuations in its revenues due to movements in inflation. Therefore, the Company'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 at 31 March 2025. This analysis assumes that all other variables, in particular exchange rates, remain constant.

As at 31 March	2025 +1% £m	2025 -1% £m	2024 +1% £m	2024 -1% £m
(Loss)/profit	(440.2)	400.4	(414.9)	376.0
Equity	(440.2)	400.4	(414.9)	376.0

Own credit risk sensitivity analysis

Refer to Significant accounting judgements and key sources of estimation uncertainty on pages 121 to 122.

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

- £41.7 million increase in profit, using the same credit spread assumptions, meaning a different probability of default is implied
- £93.5 million increase in profit, using the same probability of default assumptions, meaning a different credit spread adjustment has been applied.

(b) Credit risk

The Company's credit risk profile is consistent with the Group's overall exposure. The related risk management practices are outlined in the consolidated financial statement note 20.

The Company'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 on cash at bank and in hand, in money market funds and in short-term investments by credit rating of counterparties.

As at 31 March	2025 £m	2024 £m
AAA	146.3	1,264.8
A+	128.8	14.8
A	29.9	–
Total	305.0	1,279.6

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 the fair value of derivatives assets by credit rating of counterparties.

As at 31 March	2025 £m	2024 £m
AA-	57.2	43.7
A+	180.6	262.1
A	6.4	17.2
Total	244.2	323.0

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages long-term liquidity by maintaining continuity of funding through access to different market and debt instruments, raising funds in the capital markets and ensuring that manageable debt maturity profiles are maintained. The Company also maintains a level of committed liquidity facilities provided by a range of financial institutions. Details of the Company's borrowings are disclosed in note 41.

As mentioned in the Accounting judgement – current / non-current classification of borrowings section on page 124, on 25 February 2025 the maturity dates of all debt was extended by two years, with the maturity dates reverting when 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 on swaps has been reflected only for one transaction where notice of the exercise of the break clause has been given. Swap 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 those instruments' discounted cash flows forward to the relevant break date.

On the same day, a £1.5 billion super senior facility was issued by a new financing subsidiary of the Group, Thames Water Super Senior Issuer (TWSSI). However, there are certain conditions precedent relating to the appeal period and the Group are continuing to seek consents and waivers to access this facility and draw down in tranches in line with TWUL's liquidity needs. The first 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.

Notes to the Company financial statements continued

42. Financial instruments continued

As at 31 March	2025 £m	2024 £m
Within one year ¹	–	(2,481.4)
Between one and two years	(1,161.6)	(557.1)
Between two and three years	(359.5)	(496.6)
Between three and four years ²	(726.9)	(1,796.6)
Between four and five years ²	(2,133.0)	(732.4)
After more than five years ²	(12,735.7)	(10,563.7)
Total	(17,116.7)	(16,627.8)

1 On 25 February 2025 all 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.

2 Swap 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 discounted cash flows forward for the affected swaps to the relevant break date. See 'Cash flows from derivative financial instruments' table for swap cash flows.

Cash flows from non-derivative financial liabilities

The maturity profile of the anticipated future cash flows including interest in relation to the Company's non-derivative financial liabilities on an undiscounted basis (excluding non-current trade payables), which therefore differs from both the carrying value disclosed in the Statement of Financial Position and fair values, and taking into account the two year deferral of debt maturities is as follows:

As at 31 March	2025 £m	2024 £m
Undiscounted amounts payable		
Within one year ¹	(2,368.0)	(4,104.6)
Between one and two years	(1,131.7)	(1,177.5)
Between two and three years	(2,891.3)	(1,041.9)
Between three and four years	(1,699.0)	(2,352.9)
Between four and five years	(2,429.3)	(1,219.2)
After more than five years	(23,663.5)	(21,428.6)
Total	(34,182.8)	(31,324.7)

1 On 25 February 2025 all 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 Company'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	2025 £m	2024 £m
Undiscounted amounts payable		
Within one year	(15.8)	(5.9)
Between one and two years	89.9	90.6
Between two and three years	(0.7)	100.0
Between three and four years ¹	(315.0)	9.0
Between four and five years ¹	(246.0)	(294.2)
After more than five years ¹	(1,794.6)	(1,832.5)
Total	(2,282.2)	(1,933.0)

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 discounted cash flows forward to the relevant break date.

Cash flow hedges

The Company has designated a number of contracts which qualify, in accordance with IFRS 9 Financial Instruments, as cash flow hedges. The accounting policy on cash flow hedges is explained on page 115.

Details of the Company's hedges can be found in note 20 of the consolidated accounts.

Offsetting financial assets and financial liabilities

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

The Company has entered into arrangements that allow for the related amounts to be offset in certain circumstances, such as the 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 amounts' shows the impact on the Statement of Financial Position if circumstances arose for set-off rights to be applied.

	Effects of offsetting on the Company Statement of Financial Position				
	Gross amounts £m	Amounts set off £m	Net amounts presented on Company Statement of Financial Position £m	Impact of master netting arrangements £m	Net amounts £m
As at 31 March 2025					
<i>Financial assets</i>					
Derivative financial instruments	244.2	–	244.2	(214.2)	30.0
<i>Financial liabilities</i>					
Derivative financial instruments	(1,481.2)	–	(1,481.2)	283.5	(1,197.7)
Total	(1,237.0)	–	(1,237.0)	69.3	(1,167.7)

	Effects of offsetting on the Company Statement of Financial Position				
	Gross amounts £m	Amounts set off £m	Net amounts presented on Company Statement of Financial Position £m	Impact of master netting arrangements £m	Net amounts £m
As at 31 March 2024					
<i>Financial assets</i>					
Derivative financial instruments	323.0	–	323.0	(275.2)	47.8
	323.0	–	323.0	(275.2)	47.8
<i>Financial liabilities</i>					
Derivative financial instruments	(1,412.8)	–	(1,412.8)	275.2	(1,137.6)
	(1,412.8)	–	(1,412.8)	275.2	(1,137.6)
Total	(1,089.8)	–	(1,089.8)	–	(1,089.8)

Notes to the Company financial statements continued

42. Financial instruments continued

IBOR reform

The following table contains details of all of the financial instruments that the Company holds at 31 March 2025 and 31 March 2024 with an interest rate linked to GBP LIBOR that 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
<i>Assets and liabilities exposed to GBP LIBOR</i>				
Fair value through profit or loss				
Derivative financial instruments				
Index-linked swaps ¹	-	(69.3)	-	(69.3)
Amortised cost				
Intercompany loans receivable ²	300.0	-	300.0	-
Total assets and liabilities exposed to GBP LIBOR	300.0	(69.3)	300.0	(69.3)

¹ Consists of £98.3 million of 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 £300.0 million of intercompany loans receivable where the interest rate is directly linked to LIBOR.

	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
<i>Assets and liabilities exposed to GBP LIBOR</i>				
Fair value through profit or loss				
Derivative financial instruments				
Index-linked swaps ¹	-	(98.3)	-	(98.3)
Amortised cost				
Intercompany loans receivable ²	300.0	-	300.0	-
Borrowings ³	-	(168.2)	-	(168.2)
Total assets and liabilities exposed to GBP LIBOR	300.0	(266.5)	300.0	(266.5)

¹ Consists of £98.3 million of 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 £300.0 million of intercompany loans receivable where the interest rate is directly linked to LIBOR.

³ 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.

43. Deferred tax

An analysis of movements in the major deferred tax liabilities and assets recognised by the Company is set out below:

	Accelerated tax depreciation £m	Retirement benefits £m	Cash flow hedge £m	Tax losses carried forward £m	Other £m	Total £m
At 1 April 2023	(1,462.9)	43.4	110.6	31.7	14.8	(1,262.4)
Credit/(charge) to Income Statement including impact of tax rate change	56.5	(11.0)	(72.8)	(31.7)	4.0	(55.0)
Charge to other comprehensive income	-	(5.9)	(4.7)	-	-	(10.6)
At 31 March 2024	(1,406.4)	26.5	33.1	-	18.8	(1,328.0)
Credit/(charge) to Income Statement including impact of tax rate change	94.7	0.3	12.4	-	(8.3)	99.1
Charge to other comprehensive income	-	(5.2)	(0.7)	-	-	(5.9)
At 31 March 2025	(1,311.7)	21.6	44.8	-	10.5	(1,234.8)

Deferred taxes at the balance sheet date have been measured using the standard tax rate of 25% in these financial statements.

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	2025 £m	2024 £m
Deferred tax assets	76.9	78.4
Deferred tax liabilities	(1,311.7)	(1,406.4)
Net deferred tax liabilities	(1,234.8)	(1,328.0)

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 Company'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 Company mean that the temporary differences normally increase every year. This year, capital allowances claimed are less than accounting depreciation so the deferred tax liability arises 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 £6.2 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.
- **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.

Notes to the Company financial statements continued

44. Called up share capital and other reserves

Share capital

As at 31 March	2025			2024		
	Underlying £m	BTL £m	Total £m	Underlying £m	BTL £m	Total £m
<i>Authorised, allotted, called up and fully paid:</i>						
76,550,000 ordinary shares of £1 each (2024: 76,550,000 ordinary shares of £1 each)	76.5	–	76.5	76.5	–	76.5

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, two internal inflation mechanism pension contribution payments were made totalling £47.5 million for the Thames Water Pension Scheme and Thames Water Mirror Image Pension Scheme. The first payment in April 2023 was made by KWE, an intermediate parent of the Company, on behalf of TWUL, with the second payment in March 2024 deemed to be made by KWE under a net settlement agreement. Payments were recorded through intercompany transactions with a resultant intercompany payable balance in TWUL owed to its immediate parent, TWUHL. As a result, TWUL issued 47.5 million shares with a nominal value of £1 each to TWUHL, in exchange for the extinguishment of the intercompany payable owed to TWUHL, for a total value of £47.5 million.

Refer to note 9 for information on the March 2024 payment.

Other reserves

As at 31 March	2025			2024		
	Underlying £m	BTL £m	Total £m	Underlying £m	BTL £m	Total £m
Share premium	100.0	–	100.0	100.0	–	100.0
Cash flow hedge reserve	–	–	–	(2.1)	–	(2.1)
Revaluation reserve	748.6	–	748.6	770.9	–	770.9
(Accumulated losses)/Retained earnings	(1,453.7)	642.1	(811.6)	440.8	477.7	918.5
Total	(605.1)	642.1	37.0	1,309.6	477.7	1,787.3

The revaluation reserve reflects the revaluation of infrastructure assets to fair value on transition to IFRS, 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.

Refer to note 9 for information on the dividends paid by the Company.

45. Contingent liabilities

Contingent liabilities for the Company are consistent with the Group, as detailed in note 26.

46. Off-balance sheet arrangements

The Company 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:

- operating leases that do not fall under IFRS 16;
- power prices forward contracts;
- outsourcing contracts; and
- guarantees, as outlined in the material accounting policy section on pages 115 to 116.

In respect of outsourcing contracts, the Company 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 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 Company.

47. Post balance sheet events

A Member of Parliament is pursuing legal action against the Company, seeking to challenge the restructuring plan in 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 is eliminated the Company 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 Company and therefore consents 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 the Company of £326.5 million). In May 2025 TWSSI completed the second drawdown of £365 million (net proceeds received by the Company of £308.3 million). A creditor consent is due to be voted on by 14 July 2025 which would permit additional drawdowns by TWSSI of £31 million in July 2025 and £126 million in August 2025, along with a creditor request to extend the end date for drawdowns by the Company under the intercompany loan from TWSSI to 31 July 2025.

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 drawdown proceeds, despite a portion of the £1.5 billion facility remaining undrawn.

As part of the agreement to 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 them if the restructuring plan is overturned. On 15 April 2025, the Company deposited £32.0 million in Turnover Fees into an escrow account, a proportion of which are due from TWUF, although the Company will reimburse TWUF for an equivalent amount as part of the intercompany loan arrangements with the Company. The payment of these fees are earmarked for creditor compensation only if the appeal is pursued in court.

In May 2025 Morgan Stanley opted to convert the EIB loan from index linked to floating rate, since they were unable to hedge their position as a result of the extension.

The Company 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 the Company instead continues to progress discussions on an alternative senior creditors' plan with Ofwat and other stakeholders.

In May 2025 Ofwat announced that the Company 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 Company 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 the Company were to pay these penalties without a creditor consent, the Company 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.

Notes to the Company financial statements continued

48. Statement of Cash Flows

Reconciliation of operating profit to operating cash flows

Year ended 31 March	2025			Restated ¹ 2024		
	Underlying £m	BTL £m	Total £m	Underlying £m	BTL £m	Total £m
(Loss)/profit for the financial year	(1,932.5)	164.3	(1,768.2)	(137.8)	87.4	(50.4)
Less finance income	(355.1)	–	(355.1)	(305.0)	–	(305.0)
Add finance expense excluding interest on lease liabilities	1,037.6	–	1,037.6	743.4	–	743.4
Add interest expense on lease liabilities	3.5	–	3.5	3.1	–	3.1
Add net losses on financial instruments	243.5	–	243.5	(32.3)	–	(32.3)
Add net impairment losses	177.5	–	177.5	–	–	–
Add expected credit losses on intercompany loan	1,270.6	–	1,270.6	118.9	–	118.9
(Less)/add taxation on (loss)/profit on ordinary activities	(108.9)	(29.2)	(138.1)	10.4	29.2	39.6
Operating profit	336.2	135.1	471.3	400.7	116.6	517.3
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 in 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)
Increase in trade and other receivables ²	(16.2)	(128.7)	(144.9)	(39.7)	(124.4)	(164.1)
(Increase)/decrease in contract assets	(49.3)	1.2	(48.1)	(35.0)	(2.3)	(37.3)
(Decrease)/increase in trade and other payables	(13.7)	11.9	(1.8)	26.0	8.9	34.9
Increase in contract liabilities ³	47.6	–	47.6	28.2	0.5	28.7
Group relief received	–	–	–	2.4	–	2.4
Increase in provisions ⁴	208.0	–	208.0	47.0	–	47.0
Net cash generated by/(used in) operating activities^{5,6}	1,268.3	19.5	1,287.8	1,170.3	(0.7)	1,169.6

¹ The prior year results have been restated due to adjustments identified related to (i) adoption of nil cost assets and (ii) change in accounting policy impacting the prior year presentation of the net settled dividend, refer to page 126 for further information.

² 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.

³ 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 fair value of adopted assets.

⁴ Movement in provisions will not agree to the movement in the balance sheet due to it excluding the movement in capital infrastructure provisions.

⁵ 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 restructuring and transformation expenditure, refer to note 32. Net cash generated by operating activities (excluding payments relating to exceptional items and BTL) for the year ended 31 March 2025 would be £1,384.4 million.

⁶ 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 9 and note 23 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	Note	2025 £m	2024 £m
Unrestricted cash movement		(6.8)	9.7
Restricted cash movement		71.0	–
Bank overdraft	39	55.5	(126.7)
Movement in money market funds		(1,038.8)	(565.2)
Total		(919.1)	(682.2)

Notes to the Company financial statements continued

49. Related party transactions

Details of transactions with associated companies as required by Ofwat's regulatory accounting guidelines can be also found under the 'supply of trade' disclosure in the Annual Performance Report, which will be published on our website following their approval.

Trading transactions

	2025		2024	
	Services provided by the Company £'000	Services provided to the Company £'000	Services provided by the Company £'000	Services provided to the Company £'000
Year ended 31 March				
<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 Limited	787	–	864	–
Thames Water (Kemble) Finance plc	343	–	–	–
<i>Immediate parent</i>				
Thames Water Utilities Holdings Limited	69,961 ¹	–	70,275 ¹	–
<i>Subsidiary</i>				
Thames Water Utilities Finance plc	21,561 ¹	686,170	27,501 ¹	475,665
<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	–	938	–
Trinzic Developments Limited	–	–	836	–
Trinzic Connected Limited	5	–	–	–
<i>Entities external to the Kemble Water Holdings group</i>				
SGN Commercial Services Limited	–	5,839	–	4,495
AlixPartners UK LLP	–	16,343	–	–
Dunelm Energy Limited	–	–	–	10
Southern Gas Networks plc	–	10	–	64
Water UK Limited	–	720	–	686
Worldpay (UK) Limited	–	–	–	8
Cadent Gas Limited	–	32	–	–
InframoniK Advisory Limited	–	23	–	–
Major Projects Association	–	11	–	–
Dutchy of Cornwall Estate	–	–	–	2,240
Total	94,006	709,289	101,473	484,260

¹ This amount relates to interest on the intercompany loan, refer to note 37, and Group management recharges.

During the year, the Company paid its immediate parent company, Thames Water Utilities Holdings Limited, a dividend of £nil (2024: £195.8 million).

Outstanding balances

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

	2025		2024	
	Amounts owed to the Company £'000	Amounts owed by the Company £'000	Amounts owed to the Company £'000	Amounts owed by the Company £'000
As at 31 March				
<i>Intermediaries between the immediate and ultimate parent</i>				
Thames Water Limited	132	–	–	–
<i>Immediate parent</i>				
Thames Water Utilities Holdings Limited	1,389,512	16,641 ¹	1,319,548	55,645 ¹
<i>Subsidiary</i>				
Thames Water Utilities Finance plc	357,456	14,005,448	351,111	14,103,548
<i>Other entities within the Kemble Water Holdings group</i>				
Kennet Properties Limited	44	9	–	–
Thames Water Property Services Limited	–	56	–	–
Total	1,747,144	14,022,154	1,670,659	14,159,193

¹ These amounts relate to group relief payable balances.

The amounts outstanding are unsecured. No guarantees have been given or received. In the current period, an additional provision of £1,270.6 million was recognised as expected credit losses in respect of amounts owed by Thames Water Utilities Holdings Limited (2024: £118.9 million) resulting in the balance owed by Thames Water Utilities Holdings Limited to be £nil (2024: £1,200.6 million). See note 37 for further detail.