

Registered no: 02403744 (England & Wales)

Thames Water Utilities Finance plc

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

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Directors and advisors

Directors

N Land (Appointed 22 May 2024)
A Montague (Appointed 22 May 2024)
I Pearson (Appointed 22 May 2024)
C Weston (Appointed 22 May 2024)
D Gregg (Resigned 10 July 2024)
I Dearnley (Resigned 10 July 2024)
J Read (Resigned 10 July 2024)
A De Brunner (Appointed 14 November 2024)
N Robson (Appointed 14 November 2024)
J Gething (Appointed 22 January 2025)

Independent auditors

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

Company secretary and registered office

A Fraiser
Clearwater Court
Vastern Road
Reading
Berkshire
RG1 8DB
United Kingdom

Strategic Report

The Directors present their Strategic Report for Thames Water Utilities Finance plc (“the Company”) for the year ended 31 March 2025.

Review of the business and strategy

The principal activity of the Company is to act as a financing company to its immediate parent company, Thames Water Utilities Limited (“TWUL”).

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

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

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

- TWUL, the Company’s immediate parent;
- Thames Water Utilities Holdings Limited (“TWUHL”), TWUL’s immediate parent.

The payment of all amounts owing in respect of the external debt issued by the Company is unconditionally and irrevocably guaranteed by the other companies in the Securitisation Group. In addition, the Company guarantees the external debt issued by TWUL. The guaranteed gross debt on a post swap basis for companies in the Securitisation Group as at 31 March 2025 was £17,901.7 million (2024: £17,302.8 million) (Refer to “Financial guarantee contracts” section of the material accounting policy information on page 36 for analysis on the financial guarantee).

Following the issue of the Final Determination by Ofwat in December 2024, TWUL concluded that the balance of risks and reward did not provide what was needed for an investible and financeable business plan during the 2025-2030 period. This is unlikely to change without a re-set of the regulatory landscape. TWUL has taken steps to secure the required financing in the near term to maintain its status as a going concern, and to give it the time to secure a sustainable longer-term outcome for its finances. TWUL took the decision to refer the Ofwat determination to the Competitions and Market Authority (“CMA”). TWUL agreed with Ofwat to pause the referral for 18 weeks to 21 July 2025 to give time for discussions between TWUL, an ad-hoc group of 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 TWUL. On 18 July 2025 TWUL announced that it had agree with Ofwat that the referral to the CMA was paused for a further 3 months to 22 October 2025.

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

In February 2025, the High Court sanctioned TWUHL’s initial, interim restructuring plan (RP1) which included £3.0 billion in new super senior funding to extend TWUL’s liquidity runway. This consists of an initial £1.5 billion committed facility and a £1.5 billion uncommitted accordion facility via TWUL’s new additional financing subsidiary, Thames Water Super Senior Issuer plc (“TWSSI”).

Both the initial committed £1.5 billion facility and the accordion facility (which comprises two tranches of £750 million each) include conditions precedent which are currently unsatisfied (see going concern analysis for further detail).

Strategic Report (continued)

Review of the business and strategy (continued)

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 a draw down of £350 million in March 2025 and £365 million in April 2025. TWSSI 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 Group had available cash and cash equivalents of £424 million, of which the Company held £1 million.

(RP1 extended the maturity of all of TWUL Group's outstanding debt principal repayments by two years, cancelled all undrawn facilities including £550 million of liquidity facilities and approved the new committed £1.5 billion super senior debt facility and a further uncommitted £1.5bn accordion facility. In addition, all the TWUL Group's intercompany debt was extended by two years, primarily to mirror the new terms of TWUL Group's external debt. Consent fees incurred by the Company of £90 million for its external creditors were deemed net settled on the issuance by TWUL of consent fee debt to those creditors, against the fees due from TWUL to the Company in relation to the intercompany debt.

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 any senior debt is due to mature, which could be because the debt maturity extensions are reversed as part of a further restructuring or if TWUL became subject to a special administration order or became insolvent). A break clause was inserted into each interest rate and index-linked swap contract which permits a counterparty to terminate the swaps from 31 December 2028 onwards if TWUL Group's Class A and Class B debt 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 by TWUL in summer 2024, resulting in five non-binding offers received on 5 December 2024. On 31 March 2025, TWUL announced that it had selected KKR to enter the second phase of its due diligence process as preferred partner. In parallel, the Class A AHG progressed work on an alternative proposal to recapitalise TWUL. Following this announcement, TWUL facilitated material and confirmatory diligence by KKR and the Class A AHG. 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 its preferred partner status lapsed. Discussions on the Class A AHG's plan with Ofwat and other stakeholders remain ongoing.

Note that TWUL is not permitted to drawdown under its on-loan facility from TWSSI after 31 July 2025 unless a lock-up agreement is in place supported by 66⅔% of Class A and 66⅔% of super senior lenders. Unless extended with the agreement of creditors, this is a significant liquidity risk to TWUL and therefore to the Company. As part of the court-sanctioned restructuring plan, additional covenants were introduced into the WBS documentation, which include:

- provision of a 13 week cash flow forecast to creditors and their advisors with each drawdown request by TWUL on its facility with TWSSI
- the 13 week cash flow forecast should not show negative liquidity after 31 August 2025 or, following a CMA reference, 28 February 2026
- no voluntary prepayments of Class A or Class B debt or early swap terminations (aside from cash settlement of cross currency swaps at maturity)
- no upstream distributions aside from VAT rebates or payments for services up to £5 million per annum are permitted
- engaging with creditors to develop a creditor-led recapitalisation in which reasonable endeavours are made to enable secured creditors to participate
- two restructuring independent NEDS to be appointed to the TWUL board

In addition the 24 month deferral of debt maturities, including those of the Company, has created the liquidity headroom necessary to allow TWUL to continue the process of attracting new equity owners. The two year maturity extension will be reversed if certain conditions are met, being that the super senior debt issued by TWSSI has been repaid, Class A and B debt has two investment grade credit ratings, there are no trigger events or events of default and TWUL is in full compliance with its licence.

Strategic Report (continued)

Review of the business and strategy (continued)

Under the court-sanctioned restructuring plan all undrawn debt facilities and liquidity facilities were cancelled and a “Stable Platform Period” has been established. The payment priorities under the financing documents were amended 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 any senior debt is due to mature, which could be because the debt maturity extensions are reversed, as part of a further restructuring or if TWUL became subject to a special administration order or became insolvent).

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. TWUL will be recharged by the Company for payments made on consent fee derivatives.

Overall, the changes as a result of the court-sanctioned restructuring plan have had no significant impact on the Company’s financial performance for 31 March 2025, as the costs are ultimately borne by TWUL. Interest payments have continued to be settled on the Company’s external debt and swaps, funded by TWUL under the related intercompany arrangements. However, the pursuit of a holistic recapitalisation by TWUL may impact the Company’s future prospects and performance. Please see the going concern disclosure which describes the challenges facing TWUL and the Company.

Credit rating

TWUL is required to maintain an investment grade credit rating in accordance with its licence of appointment as a water and wastewater service provider. An investment grade credit rating equates to BBB or higher from S&P and Baa3 or higher from Moody’s for two credit ratings issued by external rating agencies, being Moody’s Corporate Family Rating and S&P’s Class A debt rating. The current ratings are below the required level, and Ofwat has accepted undertakings from TWUL in lieu of enforcement action.

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

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

TWUL Group has been subject to multiple credit ratings downgrades over the year. In April 2024, both Moody’s and S&P downgraded TWUL Group’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 TWUL’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 TWUL Group’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 TWUL’s licence. Ofwat has accepted undertakings by TWUL to appoint both an independent monitor, L.E.K., and two new independent non-executive directors. These commitments will remain in place until the TWUL Group regains two investment grade credit ratings. Following further downgrades the credit ratings of TWUL, and of the Company’s Class A and B debt 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).

Strategic Report (continued)

Gearing and interest cover

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

Results and performance

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

The Company made a loss before tax of £3,958.7 million (2024: profit of £106.8 million) primarily due to £4,028.3 million expected credit losses on intercompany loans receivable (2024: £55.0 million). The increase in expected credit loss reflects the risk to recovery of receivables linked directly to factors contributing to the material uncertainty around the TWUL Group's going concern outlined on pages 28 to 34.

During the financial year ended 31 March 2025, finance income increased by £136.2 million to £790.9 million (2024: £654.7 million) mainly due to a £90.2 million consent fee received from TWUL in relation to the impact of the restructuring plan on the Company's loans to TWUL, together with an increase in interest income recognised on intercompany loans receivable due to additional debt facility drawdowns. Finance expense increased by £111.6 million to £723.8 million (2024: £612.1 million) mainly due to a £90.2 million consent fee awarded to the Company's creditors in relation to the impact of the restructuring plan, which was paid for by TWUL to creditors and recharged to TWUL, together with an increase in interest expense recognised on borrowings due to debt facility drawdowns. This expense is equal to the income on the related internal transactions. Underlying profit decreased by £67.0 million to £68.7 million (2024: £135.7 million), primarily due to a reduction in gains on financial instruments.

As at 31 March 2025, the Company had £1.4 million of cash and cash equivalents (2024: £1.6 million). The limited cash and cash equivalents in the Company requires TWUL to settle its intercompany obligations in order for the Company to service its external debt obligations and so the Company is reliant on TWUL's liquidity. As at 31 March 2025, TWUL Group had total liquidity of £230.9 million, in the form of cash and cash equivalents.

Net liabilities of the Company at 31 March 2025 were £3,743.0 million (2024: net assets of £216.6 million) mainly driven by impairment losses on intercompany loans receivable which has been recognised in the Income Statement as an exceptional item.

The Company uses derivatives to manage inflation risk and foreign currency risk and these are held at fair value through profit or loss. The fair value of the derivatives is dependent upon expected future inflation rates, interest rates and spot foreign currency rates. This can result in large movements in the income statement within net gains on financial instruments relating to changes in fair value of the derivatives, which has also been impacted by consent fee derivatives of £14.9 million. The external borrowings and intercompany loans with TWUL are held at amortised cost.

The Company does not recharge the year-on-year movement in derivative fair values to TWUL as the derivatives are in relation to debt obligations which the Company expects to hold to maturity, or if impacted by a holistic recapitalisation, then there is an expectation that both debt and derivatives will be restructured at the same time. The cash flows of the derivatives are recharged to TWUL via the matching terms of intercompany loans from the Company to TWUL, with the exception of swaps restructured, where the relevant intercompany loans have matured or the terms are yet to be amended, and any swaps which are not linked to the Company's external debt.

The Securitisation Group's senior gearing level is 84.4% (2024: 80.6%), measured by comparing the sum of the Securitisation Group's net debt (covenant basis) of £17,724.6 million (2024: £16,071.3 million) against TWUL's stated Regulatory Capital Value ("RCV") of £21,008.4 million (2024: £19,946.8 million). Interest cover measures the ratio of operating cashflow to net cash interest expense. As at 31 March 2025, this ratio was 1.09x (2024: 1.76x) versus a covenant level of 1.1x (2024: 1.10x), although the financial covenants are suspended.

Principal risks and uncertainties

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

Strategic Report (continued)

Principal risks and uncertainties (continued)

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

Copies of the TWUL Group's Annual Report may be obtained from the Company Secretary's Office at the address included in note 17.

Capital risk management

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

The capital structure of the Company consists of borrowings and equity. Quantitative information in relation to the capital structure is included in 'Note 12 Financial Instruments'.

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

The TWUL Group's funding policy is to ensure that it has adequate funding at all times to meet short term and long-term requirements. The TWUL Group maintains a broad portfolio of debt (diversified by source and maturity) and ordinarily seeks to maintain sufficient liquidity to fund the operations of the business for a minimum of a 15-month forward period on an on-going basis, although currently this is not achieved whilst a recapitalisation transaction is being pursued. Derivative financial instruments are used to manage interest rate risk, inflation risk and foreign exchange risk. No open or speculative positions are taken, although consent fee derivatives, which are integrally linked to inflation-linked swaps, represent a liability and are not a hedge.

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

The Company also had £550.2 million (2024: £550.2 million) of undrawn liquidity facilities which could only be drawn in limited circumstances. The liquidity facilities were renewed in August 2024 but were cancelled under the court-sanctioned restructuring plan on 25 February 2025.

Financial risk management

(i) Market risk

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

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

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

Strategic Report (continued)

Principal risks and uncertainties (continued)

(ii) **Credit risk**

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

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

(ii) **Liquidity risk**

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

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

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

Future outlook

It is expected that the Company will continue with its current business model for the foreseeable future, with the proceeds from the Company's debt raising activities (including impact of associated derivatives) being lent to TWUL with a margin charged in addition to the underlying external costs. This is dependent upon TWUL's ability to settle its intercompany obligations, as they fall due, to fund the servicing and repayment of external debt obligations, more details of which are explained in the going concern section within the Directors' report.

s172 reporting

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

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

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

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

Strategic Report (continued)

s172 reporting (continued)

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

Likely consequences of decisions in the long-term

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

Stakeholder management

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

Community and Environment

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

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

This Strategic Report was approved by the Board of Directors on 21 July 2025 and signed on its behalf by:

C Weston
Director

Clearwater Court
Vastern Road
Reading
Berkshire
RG1 8DB

Directors' report

The Directors present their annual report and the financial statements of the Company for the year ended 31 March 2025. The Directors consider that the annual report and financial statements, taken as a whole, is fair, balanced and understandable, and provides the information necessary for stakeholders to assess the Company's performance and strategy.

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

Directors

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

N Land (Appointed 22 May 2024)
A Montague (Appointed 22 May 2024)
I Pearson (Appointed 22 May 2024)
C Weston (Appointed 22 May 2024)
D Gregg (Resigned 10 July 2024)
I Dearnley (Resigned 10 July 2024)
J Read (Resigned 10 July 2024)
A De Brunner (Appointed 14 November 2024)
N Robson (Appointed 14 November 2024)
J Gething (Appointed 22 January 2025)

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

During the year under review, none of the other Directors had significant contracts with the Company or any other body corporate within the Group other than their contracts of service with TWUL (2024: none).

Future outlook

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

Going concern

The Directors consider it appropriate to prepare the financial statements on a going concern basis as they have a reasonable expectation that the Company will continue to have adequate resources for a period of 12 months from the date of approval of the financial statements. In their assessment, the Directors have identified a material uncertainty related to events that are outside the control of the Board and may cast significant doubt on the Company's ability to continue as a going concern. In assessing the appropriateness of the going concern basis, the Directors have considered various factors that are described in further detail on pages 28 to 34.

Given the dependency on TWUL, the Directors have considered the going concern assessment made by TWUL Group as well as actions taken post the balance sheet date of 31 March 2025. The TWUL Group assessment concluded that the going concern basis be adopted for the preparation of TWUL Group's financial statements, whilst identifying material uncertainty given the Group requires a recapitalisation transaction to be implemented, the outcome and timing of which is not within their control.

Further details of the TWUL Group assessment and the post balance sheet events are contained in the TWUL Group annual report for 2024/25, copies of which may be obtained from the Company Secretary's Office at the address included in Note 17.

Directors' report (continued)

Going concern (continued)

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

Gearing and interest cover

The financial review in the TWUL Group annual report notes the out-turn for the financial covenants defined in the WBS for gearing and interest cover ratios as at 31 March 2025. Both these ratios are usually key covenants for Secured Creditors and modified forms are used by credit rating agencies as part of their analysis when determining credit ratings, however the WBS financial covenants are suspended during the stable platform period.

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

Under the terms of the WBS, there is usually a requirement to publish forecast financial covenant ratios for the next five financial years, but during the stable platform period only the ratios for the 12 month period ending 31 March 2025 are required to be published.

Intercompany loan receivable

At 31 March 2025, the Company was owed £15,060.4 million (2024: £15,282.5 million) by TWUL in respect of amounts loaned from the net proceeds of debt raised by the Company and unpaid interest.

Management makes an estimate of the recoverable value of the TWUL loan receivables in line with the provisions of IFRS 9. When assessing these receivables for expected credit losses, management considers factors driving recoverability such as the borrower's ability to pay, the credit rating, the net debt of the borrowing entity, seniority of debt and historical experience, among other factors. Key inputs into management's expected credit losses model include the forecast outcome of the Competitions and Markets Authority (CMA) appeal regarding the Final Determination awarded to TWUL by Ofwat for AMP8 (period from 1 April 2025 to 31 March 2030), and assumptions on an expected haircut on debt as part of the recapitalisation plan.

In accordance with the specific requirements of IFRS 9, the expected credit loss on the TWUL loan receivables is determined by estimating the expected recoverability of these assets based on different scenarios considered by management, informed by available data. Two 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 and the possibility of TWUL entering into a Special Administration Regime (SAR).

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

Any restructuring of debt will require the involvement of external parties and the Company expects that changes to internal debt arrangements will be linked to any changes in its external debt. Management have recognised the expected credit losses under Stage 2 in IFRS 9 to determine lifetime expected credit losses using multi-factor analysis because no amounts owing are in default, there is not enough objective evidence to confirm that the Company will write off the loans in their accounts and that the above assessment is management judgement over the recoverability of the receivables.

Directors' report (continued)

Intercompany loan receivable (continued)

This approach requires consideration of a range of probability-weighted scenarios to assess the recoverability of the TWUL receivable. This assessment has resulted in a calculated expected credit loss of £4,083.3 million (2024: £55.0 million), which has been recognised in the 'Statement of financial position' and the increase of £4,028.3 million is recognised as an exceptional item in the 'Income statement'. Further details are shown in Note 9 to the financial statements.

Dividends

The Company did not pay any dividends in the year (2024: £nil). The Directors do not recommend the payment of a final dividend (2024: £nil).

Financial risk management

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

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

Corporate governance

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

- Business planning, budgeting and forecasting. These activities support resilient operations and help to plan for sustainable and robust finances. The annual budgeting exercise includes a detailed budget for the year and a view for the remainder of the asset management plan ("AMP"). The regulatory period known as AMP7 ran from 1 April 2020 to 31 March 2025 and the current AMP8 runs from 1 April 2025 to 31 March 2030;
- Performance reporting. The Company's Board and Group shareholders receive monthly Group management reports, including an overview of key performance metrics;
- System of delegated authority. Delegated levels of decision making authority are reviewed and approved by the Board;
- Insurance. Insurance programme and insurance team are in place. The Board review and approve the strategic approach being taken to level and type of cover;
- Company policies, standards, guidelines and procedures. Relevant governance documentation is reviewed regularly and is intended to manage our inherent risk; and
- Code of conduct and Whistleblower hotline. Code of conduct and confidential whistleblowing processes are in place to be investigated by a dedicated team.

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

Further details relating to Corporate Governance are incorporated in the TWUL Group's Annual Report for 2024/25.

Research and development

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

Political and charitable donations

No political or charitable donations were made by the Company during the year (2024: £nil).

Directors' report (continued)

Directors' indemnities

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

Directors' confirmations

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

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

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

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

Independent auditors

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

The Directors' report was approved by the Board of Directors on 21 July 2025 and signed on its behalf by:

C Weston
Director

Clearwater Court
Vastern Road
Reading
Berkshire
RG1 8DB

Statement of Directors' responsibilities in respect of the financial statements

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

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

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

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

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

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

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

Approved by the Board of Directors on 21 July 2025 and signed on its behalf by:

C Weston
Director

Clearwater Court
Vastern Road
Reading
Berkshire
RG1 8DB

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 March 2025 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements ('Annual Report'), which comprise: Statement of financial position as at 31 March 2025; the Income statement, the Statement of cash flows and the Statement of changes in equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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

Basis for opinion

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

Independence

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

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

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

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the Material accounting policy information within the financial statements concerning the Company's ability to continue as a going concern. We note that the Company is wholly reliant on the ability of its immediate parent, Thames Water Utilities Limited ('TWUL'), to settle its intercompany obligations, as they fall due, and to fund the servicing and repayment of external debt obligations. Additionally, TWUL, and the Company, have guaranteed the obligations of each other. The TWUL Group identified a material uncertainty in relation to the going concern basis of preparation adopted in its Annual Report for 2024/25. These conditions, along with the other matters explained in note the Material accounting policy information within the financial statements to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

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

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

- Obtaining an understanding and evaluating the design and implementation of relevant controls related to the directors' assessment of going concern;
- Obtaining and understanding the terms of the Whole Business Securitisation and the TWUL Group's financing documentation, including the super senior financing documentation and the financial covenants applicable to the TWUL Group, to understand the construct of the Whole Business Securitisation and the guarantees in place between TWUL and the Company;
- Understanding and assessing the factors giving rise to the material uncertainty including assessing the actions available to the directors' on which they have based their assertion that they have a reasonable expectation that the TWUL Group and Company has adequate resources to continue for a period of 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;
- Performing inquiries with key stakeholders (from both within and outside of the TWUL Group) and reviewing correspondence with creditor representatives, regulators and advice from the TWUL Group's external legal counsel to corroborate management's position and assess whether there is any contradictory or additional evidence requiring disclosure within the basis of preparation;
- Engaging the use of experts including business restructuring experts to support us in understanding aspects of management's assessment and informing our challenges to management; and
- Assessing the appropriateness of the disclosures within the financial statements as disclosed in the Material accounting policy information, relating to the material uncertainty on going concern.

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

Our audit approach

Overview

Audit scope

- As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

- Material uncertainty related to going concern
- Valuation of financial derivatives – credit risk adjustment
- Accounting for debt modification
- Recoverability of intercompany balances due from Thames Water Utilities Limited

Materiality

- Overall materiality: £149,087,000 (31 March 2024: £154,011,000) based on 1% of Total Liabilities for the year ended 31 March 2025 and 1% of Total Assets for the year ended 31 March 2024.
- Performance materiality: £111,815,250 (31 March 2024: £115,508,250).

The scope of our audit

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

Key audit matters

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

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

Accounting for debt modification is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of financial derivatives – credit risk adjustment</p> <p>The Company's derivative position as at 31 March 2025 was an asset of £55.9m (2024: £65.3m) and a liability of £237.1m (2024: £323.1m). The net derivative fair value as at 31 March 2025 was a liability of £181.2m (2024: £257.8m). The derivatives credit risk adjustment valuation, specifically the estimation of Thames Water Utilities Limited ('TWUL') Group's own credit risk, including that of the Company, is designated as a key audit matter as it gives rise to a significant source of estimation uncertainty and contains judgements concerning the TWUL Group's own credit risk and methodology as there are no prescriptive requirements in IFRS 13 as to how to calculate the credit risk adjustments.</p> <p>Refer to the significant accounting judgements and key sources of estimation uncertainty within the Material accounting policy information and Note 12 of the financial statements.</p>	<p>We obtained an understanding of the derivatives valuation process and evaluated the design and implementation of related financial controls.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> 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. <p>We also evaluated the adequacy of disclosures in the financial statements.</p>
<p>Accounting for debt modification</p> <p>During the year, the TWUL 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</p>	<p>We obtained an understanding of the process for accounting for debt modification and evaluated the design and implementation of related financial controls.</p> <p>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.</p>

<p>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 Restructuring Plan also had a direct effect on the Company, as existing finance documents were amended and restated, including intercompany loan agreements between the Company and TWUL. The accounting for these arrangements required significant judgement and technical analysis, particularly in the following areas:</p> <p>Assessment of Debt Modification: Determining whether the changes to the Company'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.</p> <p>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.</p> <p>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.</p> <p>Presentation and Disclosure: Ensuring that the financial statement disclosures clearly and comprehensively described the impact of the restructuring plan on the Company's borrowings and derivatives, including the nature, timing, and amounts of the consent and other restructuring-related fees.</p> <p>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 Company's financial statements, we identified the impact of the restructuring plan on debt and derivatives accounting as a key audit matter.</p> <p>Refer to the significant accounting judgements and key sources of estimation uncertainty section within the Material accounting policy information.</p>	<p>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.</p> <p>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.</p> <p>We considered the impact of the plan on the accounting for derivatives, especially the credit risk adjustments.</p> <p>We consulted with our accounting technical specialist team on the appropriate accounting treatment.</p> <p>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.</p> <p>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.</p>
<p><i>Recoverability of intercompany balances due from Thames Water Utilities Limited</i></p> <p>The Company has recorded a total provision for expected credit losses on the intercompany receivables due from its immediate parent TWUL of £4,083.3m (2024: £55.0m),</p>	<p>We have obtained an understanding of management's methodology applied to assess the recoverability of the intercompany receivable balance with its immediate</p>

<p>resulting in a charge to the Income Statement of £4,028.3m (2024: £55.0m) in the year ended 31 March 2025. The assessment of the recoverability and calculation of the expected credit loss involves significant judgement and estimation. The key inputs into management's impairment model include the level of external debt haircut which will be required as part of RP2, and the probability weighting of management's multi-factor scenario analysis. Two scenarios were considered by management in a multiple factor analysis: a scenario where a market-led solution to the restructuring was found, and a scenario where the TWUL Group enters a Special Administration Regime. Management provided a weighted probability of those scenarios occurring in order to calculate its provision.</p> <p>Refer to the significant accounting judgements and key sources of estimation uncertainty section within the Material accounting policy information, Note 7 and 9 of the financial statements.</p>	<p>parent TWUL and we have assessed the design and implementation of related financial controls.</p> <p>Our procedures included:</p> <p>Obtaining management's model and testing the mathematical accuracy of the calculations.</p> <p>Understanding the rationale of the model adopted and verifying the key input data.</p> <p>Understanding the basis on which management has estimated the debt haircuts.</p> <p>Agreeing management's assessment of the current traded value of external debt to external sources.</p> <p>We have read and challenged the Significant accounting judgements and key sources of estimation uncertainty disclosure contained within the Material accounting policy information of the financial statements, in particular to ensure that it adequately highlights the significant estimation uncertainty in relation to the calculation of the expected credit loss.</p>
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How we tailored the audit scope

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

The entity consists of one operating segment and is managed from a single location based in the United Kingdom.

The impact of climate risk on our audit

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

Materiality

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

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

<i>Overall company materiality</i>	£149,087,000 (31 March 2024: £154,011,000).
<i>How we determined it</i>	1% of Total Liabilities for the year ended 31 March 2025 and 1% of Total Assets for the year ended 31 March 2024
<i>Rationale for benchmark applied</i>	The entity functions to service group financing requirements. Therefore, using a Balance Sheet benchmark is appropriate. We have changed our benchmark for the year ended 31 March 2025, from Total Assets to Total Liabilities, as the significant Expected Credit Loss recorded on the Company's intercompany receivable has meant that the Total Assets value is no longer reflective of the size of the Company's operations

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 £111,815,250 (31 March 2024: £115,508,250) for the Company financial statements.

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

We agreed with the Audit, Risk and Reporting Committee of Thames Water Utilities Limited that we would report to them misstatements identified during our audit above £14,908,000 (31 March 2024: £15,401,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 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 Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Listing Rules, 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 posting of journal entries to manipulate the financial results in the year. 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 inquiries of the TWUL Group management, internal audit function and 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 in particular in relation to the Key Audit Matters as set out in our report. We have tested significant accounting estimates and judgements to supporting documentation, considering alternative information where appropriate 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
- 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 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 and Reporting Committee of Thames Water Utilities Limited, 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.

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

Income statement

For the year ended 31 March 2025

		Underlying	2025 Exceptional items	Total	Underlying	2024 Exceptional items	Total
	Note	£m	£m	£m	£m	£m	£m
Administrative expenses	1	(0.2)	-	(0.2)	(0.1)	-	(0.1)
Operating loss		(0.2)	-	(0.2)	(0.1)	-	(0.1)
Finance income	4	685.8	105.1	790.9	654.7	-	654.7
Finance expense	5	(633.6)	(90.2)	(723.8)	(612.1)	-	(612.1)
Net (losses)/gains on financial instruments	6	17.6	(14.9)	2.7	119.3	-	119.3
Impairment losses on intercompany loans receivable	7	-	(4,028.3)	(4,028.3)	-	(55.0)	(55.0)
Profit/(loss) before taxation		69.6	(4,028.3)	(3,958.7)	161.8	(55.0)	106.8
Tax charge on profit/(loss)	8	(0.9)	-	(0.9)	(26.1)	-	(26.1)
Profit/(loss) for the year		68.7	(4,028.3)	(3,959.6)	135.7	(55.0)	80.7

All amounts relate to continuing operations.

The Company has no recognised gains or losses other than the items set out above and therefore no separate statement of comprehensive income has been presented.

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 details can be seen in the accounting policies on pages 36 to 37. Exceptional items have been split out from our underlying figures to support users of the financial statements in understanding the underlying performance of the business and separate this from those items which are outside of the ordinary course of business, thus enhancing the comparability and transparency of the financial statements.

Statement of financial position

As at 31 March 2025

	Note	31 March 2025 £m	Restated ¹ 31 March 2024 £m	Restated ¹ 1 April 2023 £m
Non-current assets				
Intercompany loans receivable	9	10,570.9	12,732.5	12,357.8
Derivative financial assets	12	55.9	61.5	84.6
Deferred tax assets	13	9.0	12.8	36.0
Prepayments and other assets		0.4	1.1	2.8
		10,636.2	12,807.9	12,481.2
Current assets				
Cash and cash equivalents		1.4	1.6	1.2
Intercompany loans receivable	9	406.2	2,495.0	1,989.1
Derivative financial assets	12	-	3.8	31.9
Prepayments and other assets		0.5	2.0	1.9
Amounts owed by group undertakings	10	121.4	90.8	75.7
		529.5	2,593.2	2,099.8
Current liabilities				
Borrowings	11	(336.0)	(847.1)	(1,432.4)
Derivative financial liabilities	12	-	(140.9)	(13.7)
Amounts payable in respect of group relief		-	(2.9)	(19.0)
Other financial liabilities		(1.4)	(3.1)	(2.9)
		(337.4)	(994.0)	(1,468.0)
Net current assets		192.1	1,599.2	631.8
Non-current liabilities				
Borrowings	11	(14,333.4)	(14,006.8)	(12,545.1)
Derivative financial liabilities	12	(237.1)	(182.2)	(429.0)
Other financial liabilities		(0.8)	(1.5)	(3.0)
		(14,571.3)	(14,190.5)	(12,977.1)
Net (liabilities)/assets		(3,743.0)	216.6	135.9
Equity				
Called up share capital	14	0.1	0.1	0.1
Other reserves	14	207.7	207.7	207.7
Retained (accumulated losses)/earnings		(3,950.8)	8.8	(71.9)
Total equity		(3,743.0)	216.6	135.9

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 43 to 45.

The financial statements (including the accounting policies and notes) on pages 24 to 71 were approved by the Board of Directors on 21 July 2025 and signed on its behalf by:

C Weston
Director

Registered number: 02403744 (England & Wales)

Statement of changes in equity

For the year ended 31 March 2025

	Called up share capital £m	Other reserves £m	(Accumulated losses)/Retained earnings £m	Total equity £m
At 1 April 2023	0.1	207.7	(71.9)	135.9
Profit for the year	-	-	80.7	80.7
At 31 March 2024	0.1	207.7	8.8	216.6
Loss for the year	-	-	(3,959.6)	(3,959.6)
At 31 March 2025	0.1	207.7	(3,950.8)	(3,743.0)

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

Statement of cash flows

For the year ended 31 March 2025

	2025 £m	2024 £m
Cash flows from operating activities		
(Loss)/profit for the year	(3,959.6)	80.7
Less finance income	(790.9)	(654.7)
Add finance expense	723.8	612.1
Less net losses/(gains) on financial instruments	(2.7)	(119.3)
Add impairment losses on intercompany loans receivable	4,028.3	55.0
Tax charge on profit	0.9	26.1
Operating loss	(0.2)	(0.1)
Movement in amounts owed by group undertakings	-	(15.1)
Movement in other financial liabilities	0.1	0.1
Movement in group relief payable	-	(19.0)
Net cash used in operating activities	(0.1)	(34.1)
Cash flows from investing activities		
Interest received	471.2	416.1
Loans to group companies ¹	(365.8)	(2,935.9)
Loans repaid by group companies ²	779.6	2,180.2
Fees received	0.8	2.7
Net cash used in investing activities	885.8	(336.9)
Cash flows from financing activities		
Proceeds from new loans ³	365.8	2,935.9
Repayment of borrowings ⁴	(633.1)	(2,153.9)
Proceeds from derivative settlement ⁵	-	28.4
Payment for derivative settlement ⁶	(146.6)	(54.6)
Interest paid	(463.3)	(382.1)
Fees paid	(8.7)	(2.3)
Net cash (outflow)/inflow from financing activities	(885.9)	371.4
Net movement in cash and cash equivalents	(0.2)	0.4
Cash and cash equivalents at beginning of year	1.6	1.2
Cash and cash equivalents at end of year	1.4	1.6

¹ Loans to group companies of £365.8 million (2024: £2,935.9 million) represents amounts raised by the Company and then lent to TWUL through an intercompany loan receivable and includes £365.8 million (2024: £1,801.3 million) of drawdowns relating to revolving credit facilities, all of which were Class A (2024: £1,060.0 million Class A and £741.3 million Class B). Rollover of drawdowns on intercompany loans relating to revolving credit facilities will not appear as new cash flows in the cash flow statement.

² Loans repaid by group companies of £779.6 million (2024: £2,180.2 million) represents intercompany loans receivable repaid by TWUL and includes £490.7 million (2024: £741.3 million) of repayments relating to revolving credit facilities, including £120.0 million Class A and £370.7 million Class B (2024: £nil Class A and £741.3 million Class B). The remaining £288.9 million representing intercompany loans receivable repaid by TWUL in respect of bond and loan repayments (2024: £1,438.9 million).

³ New loans raised of £365.8 million (2024: £2,935.9 million) includes £365.8 million (2024: £1,801.3 million) of drawdowns relating to revolving credit facilities all of which was Class A (2024: £1,060.0 million Class A and £741.3 million Class B). Rollover of drawdowns on intercompany loans relating to revolving credit facilities will not appear as new cash flows in the cash flow statement.

⁴ Repayment of borrowings of £633.1 million (2024: £2,153.9 million) includes £490.7 million (2024: £741.3 million) of repayments relating to revolving credit facilities including £120.0 million Class A and £370.7 million Class B (2023: £nil Class A and £741.3 million Class B). The remaining amount includes £141.4 million representing bond repayments (2024: £1,255.5 million) and £1.0 million representing loan repayments (2024: £157.1 million).

⁵ There were no proceeds from derivative settlements during the year (2024: £28.4million).

⁶ Payment for derivative settlement of £146.6 million (2024: £54.6 million) includes £143.5 million (2024: £34.7 million) relating to net accretion paydown on index-linked swaps and £3.1 million (2024: £19.9 million) relating to settlement of cross currency swaps.

⁷ Excluded from the statement of cash flows are the deemed settlement of consent fees of £90.2 million as this was a non-cash transaction at both a Company and TWUL perspective.

Material accounting policy information

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

General information

Thames Water Utilities Finance plc (the “Company”) is a public limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The Company is limited by shares issued to shareholders. The trading address and address of the registered office is Clearwater Court, Vastern Road, Reading, Berkshire, RG1 8DB.

The principal activity of the Company is to act as a financing company to its immediate parent company, Thames Water Utilities Limited (“TWUL”). TWUL alongside the Company and the new financing entity Thames Water Super Senior Issuer plc (“TWSSI”) represent the “TWUL Group”. TWUL is the main trading subsidiary of the Kemble Water Holdings Limited (“KWH”) group of companies (“the Group”). This remains unchanged from the previous year.

Statement of compliance with International Financial Reporting Standards

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

Basis of preparation

The financial statements for the year ended 31 March 2025, set out on pages 24 to 71 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 in compliance with the Disclosure and Transparency Rules (“DTR”) issued by the Financial Conduct Authority.

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

Going concern

Company assessment

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

The Directors have considered the nature of the business and do not expect this to significantly change over the next 12 month period, with the proceeds of any debt raising by the Company (including impact of associated derivatives) being lent to TWUL with a margin charged, although there may be changes to the existing debt and intercompany loans to TWUL as part of TWUL’s planned recapitalisation transaction.

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

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

guarantee of TWUL's debt provided under the WBS, as the Company would be unlikely to be able to obtain funds to do so;

Material accounting policy information (continued)

Going concern (continued)

Company assessment (continued)

- On 10 December 2024, TWUHL, TWUL and the Company entered into a Deed of Contribution under which the Company can demand from TWUHL 50% of any amounts paid on debt. However, the Company does not expect to make such a demand and has not placed reliance on this Deed in its considerations; and
- The factors disclosed for the going concern assessment for the TWUL Group, considered by the TWUL Board, which are relevant to TWUL alone but would also impact the Company, being TWUL's access to liquidity, a financeable and investible regulatory settlement and an equity raise and debt restructure.

For completeness, the going concern assessment for TWUL Group is presented below. Further details of this assessment and other information are contained within the TWUL Group annual report for 2024/25, copies of which may be obtained from the Company Secretary's Office at the address included in Note 17.

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

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

Consequently, given the Company's clear dependency on the support of TWUL, the Directors have concluded that the material uncertainty disclosed for TWUL Group and TWUL in its Annual Report for 2024/25 is also applicable to the going concern assessment for the Company. As a result, these conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

TWUL Group assessment

Context

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

The TWUL Directors' have made two central assumptions. The first of these is that the restructuring plan sanctioned by the High Court on 21 February 2025 ("RP1") is not successfully appealed and subsequently overturned. The second assumption is that TWUL Group and TWUL will be able to conclude a holistic recapitalisation, implemented by way of a restructuring plan under Part 26A of the Companies Act 2006 ("RP2"), either within the Assessment Period or shortly thereafter. The Directors expect that for the recapitalisation transaction to be agreed, TWUL will require the support of multiple stakeholders including its creditors, Ofwat and wider Government and public sector bodies and that RP2 will also require court sanction (noting that such decision to sanction RP2 may be subject to an appeal). The continued support of stakeholders is outside the direct control of TWUL. There is, therefore, material uncertainty as to whether TWUL will be able to deliver a recapitalisation transaction by way of RP2 successfully, either within the Assessment Period or at all.

Material accounting policy information (continued)

Going concern (continued)

TWUL Group assessment (continued)

If it fails to do so, TWUL would need to consider all options available to it at the time, but a possible consequence would be a special administration of TWUL under the Water Industry Act 1991. Given the multiple interdependencies, these uncertainties could occur in the very near term.

The TWUL Directors believe there are three elements that will be key to the success of a recapitalisation process pursuant to RP2 and each of these is itself subject to uncertainty:

1. *Liquidity*

Ensuring TWUL has sufficient liquidity runway is an important step in TWUL's process to increase its long-term financial resilience, to attract new equity into the business, restore its investment grade credit rating and address the Section 19 undertakings relating to restoration of investment grade credit ratings agreed with Ofwat last year (as explained further below). Following a judgment of the High Court of Justice of England and Wales handed down on 18 February 2025, the restructuring plan under Part 26A of the Companies Act 2006 proposed by Thames Water Utilities Holdings Limited ("TWUHL", TWUL's immediate parent) was sanctioned pursuant to an order of the High Court dated 21 February 2025. RP1 was designed to provide a sufficient liquidity runway to enable TWUL and its Group to achieve a recapitalisation transaction, by extending TWUL'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 TWUL to seek a sustainable recapitalisation transaction. RP1 had three principal elements:

- it extended the maturities of all Class A Debt and Class B Debt (including amortisation payments, but in each case excluding hedging arrangements under the WBS structure) by two years;
- 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 TWUL Group and TWUL's control); and
- it temporarily suspended a number of the financial and other covenants in TWUL's financing documentation.

TWUL commenced the drawdown process for the first tranche of funding in April 2025 and second tranche of funding in May 2025. To date, TWUL 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 TWUL Group and TWUL through to September 2025. Funding for the further two drawdowns is expected to be provided to TWUL 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. TWUL Group's and TWUL's liquidity position and cashflow projections are closely monitored and updated regularly; there remains a risk that short term net cash outflows may be higher than expected.

Material accounting policy information (continued)

Going concern (continued)

TWUL Group assessment (continued)

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

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

TWUL 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 TWUL cannot draw until the supported lock-up agreement is in place for RP2 and the CMA referral decision has been made (unless such conditions are waived). TWUL expects to seek continued funding (including waivers as needed) from its creditors in the second half of 2025. This additional liquidity is expected, once available, to provide liquidity until September 2026 based on the latest Board approved forecast. As noted above, the super senior creditors have to date been supportive. There can, however, be no certainty that such super senior creditors will provide commitments to fill the £1.5 billion Accordion. TWUL has historically been subject to financial covenant ratio tests which monitor the interest cover and gearing. However, following the implementation of RP1, amendments have been made to TWUL's debt documentation. The outcome of these amendments is that the Trigger Events and Events of Default relating to financial ratios are no longer applicable during the ongoing period known as the 'Stable Platform Period' which commenced on 25 February 2025 and will continue until March 2027, by which point TWUL expects to have completed its holistic recapitalisation transaction and agreed appropriate go-forward covenants.

During this period, however, TWUL and TWUL Group has heightened reporting obligations to its secured creditors under its WBS structure. It also has additional covenants including a minimum liquidity cashflow covenant ("Minimum Liquidity Covenant") requiring, upon a request to drawdown on super senior funding, confirmation that TWUL and TWUL Group has sufficient positive liquidity for a rolling 13-week period. Provided that the full £3 billion super senior funding is made available to TWUL, TWUL considers that the Minimum Liquidity Covenant should continue to be met through the Assessment Period. However, this is subject to uncertainty as TWUL and TWUL Group is subject to various demands on liquidity which could be increased as a result of periods of greater cash requirements for the business for ongoing projects, the size and any timing of agreed payment plans in respect of outstanding or future penalty notices (including those outlined below), costs in respect of investigations and enquiries, and potential risks around forecasting accuracy of weekly cash requirements.

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

Material accounting policy information (continued)

Going concern (continued)

TWUL Group assessment (continued)

2. Financeable and investible Regulatory Settlement

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

On 18 March 2025, TWUL announced that it had agreed with Ofwat to defer making the CMA reference for a period of up to 18 weeks to explore the possibility of unlocking a market-led solution for the recapitalisation of TWUL¹. TWUL's ad-hoc group of senior creditors (the "AHG Creditors") are currently engaging in intensive and detailed discussions with Ofwat and other stakeholders to seek to agree revised regulatory arrangements that would provide a sustainable basis for investment of new equity and the restructure of TWUL's debt. There is uncertainty as to whether these discussions will deliver such outcome.

TWUL has continued to work on its statement of case such that it will be ready for submission if at any point in the process it determines that a CMA reference is required. The CMA must take into account the same statutory duties, strategic priorities and objectives (as set out in the Water Industry Act 1991) as Ofwat, including in relation to Ofwat's duty to exercise its powers in the manner which it considers is best calculated to (among other things) secure that water and sewerage undertakers are able (in particular, by securing reasonable returns on their capital) to finance the proper carrying out of their functions.

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 TWUL does ultimately withdraw its agreement to defer the CMA reference, the CMA will determine at that point the process to be followed for the redetermination. There can be no assurance that the CMA would make a re-determination that is more investible 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

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

On 31 March 2025 TWUL announced, following the detailed assessment of proposals received, that it had selected KKR to enter the Phase 2 diligence stage of the equity process as preferred partner. TWUL's AHG Creditors in parallel progressed work on an alternative proposal to recapitalise TWUL. Following a 10-week due diligence process, KKR advised in writing on 2 June 2025 that it was not in a position to proceed and its preferred partner status lapsed. The alternative proposal from the senior creditors was submitted at the same time and TWUL is continuing discussions with those senior creditors, Ofwat and other stakeholders on the proposal.

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

¹ On 18 July 2025, TWUL announced that Ofwat had agreed a further 3 month deferral until 22 October 2025

Material accounting policy information (continued)

Going concern (continued)

TWUL Group assessment (continued)

RP2 will also require court sanction. In order for the court to sanction RP2, relevant creditors will need to vote in favour of RP2. In the event that not all relevant creditors vote in favour, the court may exercise its discretion to sanction the plan in any event. There is a risk that creditors and/or shareholders challenge RP2 in the High Court and/or on appeal.

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

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

Other uncertainties and potential implications

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

On 24 July 2024 Moody's downgraded TWUL's corporate family rating to Ba2 with negative outlook (from Baa3) and on 31 July 2024 S&P's downgraded TWUL's Class A debt by two notches to BB with negative outlook (from BBB- previously). Both ratings then fell below the requirements set out in Condition P26 of TWUL's Licence requiring two ratings of investment grade to be held. During subsequent months both ratings were downgraded further, with Moody's Corporate Family rating now at Caa3 (stable outlook) and S&P's Class A rating now at CCC (negative outlook).

As a result of these downgrades by S&P and Moody's, TWUL does not currently hold any issuer grade credit ratings and Ofwat has confirmed it is in breach of Condition P26 of its Licence. A package of undertakings was accepted by Ofwat in which TWUL 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 TWUL's progress and compliance with the undertakings it made to Ofwat. Successfully restoring its investment grade credit rating is reliant on securing an investible and financeable PR24 outcome (which may be subject to a CMA referral), securing new equity investment and completing a sustainable recapitalisation of the business. However, the TWUL Directors believe that TWUL is currently compliant with the undertakings.

On 28 May 2025, Ofwat issued two penalties to TWUL in respect to which TWUL 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 TWUL of Condition P30 of its Licence in relation to certain interim dividend payments made in October 2023 and March 2024. No enforcement order was issued, with Ofwat noting that credit rating downgrades subsequent to those interim dividend payments mean that TWUL is now in cash lock-up and is unable to declare or settle any future dividends (without Ofwat's prior consent) until such a time as its investment grade credit ratings have been restored. The inability of TWUL to pay a dividend as a result of the cash lock-up and the uncertainty that may arise in relation to future declaration of dividends could affect the equity proposition that TWUL represents; and
- an enforcement order which, among other things, requires TWUL within 6 months to agree remediation plans with Ofwat alongside a penalty notice which imposes a penalty of £104.5 million. As part of agreeing remediation plans, TWUL is assessing the cost and timing of the capital investment required, which has not been fully funded through the existing Final Determination. It is noted that the parallel investigation into compliance with Environmental Permits at Sewage Treatment Works by the Environment Agency continues and there remains uncertainty as to the conclusion of such investigation and its potential impact on the financial position of TWUL.

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

Material accounting policy information (continued)

Going concern (continued)

TWUL Group assessment (continued)

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 TWUL to be able to achieve an investible and financeable PR24 outcome. In the event that TWUL cannot implement the PR24 Business Plan in full, without revised regulatory arrangements, it is possible that it would over time breach the conditions of its Instrument of Appointment, the Water Industry Act 1991, its environmental permits and other legislation.

These could be breached (or be likely to be breached) in such a way that would be serious enough to make it inappropriate for TWUL to continue to hold its licence of appointment and give rise to a ground for the Secretary of State (or Ofwat, with the consent of the Secretary of State) to petition the court for a Special Administration Order (including through a significant adverse operational event, depending on its severity). A petition could also be made if TWUL is unable to pay its debts. Any or all of these factors, or analogous factors, singularly or in combination, may lead to a Special Administration Order. The purpose of the Special Administration Regime is to enable the functions of a water and sewage undertaker to be carried out whilst a special administrator seeks to rescue the business as a going concern and/or transfer, as a going concern, its undertaking to one or more other companies.

Conclusion

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

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

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

Conclusion related to the Company

Consequently, given the Company's clear dependency on the support of TWUL, the Directors have concluded that the material uncertainty disclosed for TWUL Group and TWUL in its Annual Report for 2024/25 is also applicable to the going concern assessment for the Company. As a result, these conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

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

Material accounting policy information (continued)

New accounting policies

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year, except as noted in the financial reporting changes section below.

Financial reporting changes

The Company 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 Company 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 25.
- Note 11 Borrowings on pages 52 to 54.
- Note 12 Financial Instruments on pages 55 to 67

Refer to pages 43 to 45 for management’s accounting judgement relating to current and non-current classification of borrowings and further information on the restatement.

Future standards and amendments

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

1. 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 Company will adopt IFRS 18 as at 1 April 2027 and apply the new rules retrospectively.

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

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

2. 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. The company’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.

Material accounting policy information (continued)

Financial guarantee contracts

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

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

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

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

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

On 10 December 2024 a Deed of Contribution was signed, which makes TWUHL liable for the Company and TWUL's payments due to Senior Creditors directly, rather than as guarantor, if there is written demand by the Company or TWUL. Its purpose was to enable TWUHL to be the main party in the court-sanctioned restructuring plan court case and the arrangement remains in place until the conditions precedent for the super senior funding are met. The conditions have not yet been met and therefore the Deed of Contribution remains in place.

Management's assessment is that the deed does not meet the definition of a guarantee, and there is no accounting impact because there were no written demands for payment by the Company so no obligations arise for TWUHL under which a financial asset and corresponding liability would need to be recognised in the Company and TWUHL on 31 March 2025. The nature of the contract gives rise to a contingent asset for TWUF, because they could make a written demand as long as the deed remains in place. However, the Company has provided a letter of comfort confirming they will not make a demand in relation to any payments which have already occurred, and that there is no present intention to make a demand for future payments.

Exceptional items

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

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

Material accounting policy information (continued)

Exceptional items (continued)

The exceptional item recognised in the financial statements in the current year relate to impairment on intercompany receivables. These costs are deemed significant and outside our ordinary course of business, therefore are considered to be exceptional by value and by nature. Exceptional costs relating to the restructuring consent fees of £90.2 million and consent fee derivatives of £14.9 million have also been recognised. However, these were offset within exceptional income relating by recharges from TWUL.

Finance income and finance expense

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

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

Non-derivative financial instruments

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

Cash and cash equivalents

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

Intercompany loans receivable

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

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

The Company has considered the recoverability of the intercompany receivables as part of the annual impairment assessment under IFRS 9. Refer to the section - Accounting judgement and estimation – provision for expected credit losses on page 43 for further details.

Borrowings

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

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

Material accounting policy information (continued)

Non-derivative financial instruments (continued)

Borrowings (continued)

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

Amounts owed by group undertakings

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

Other financial liabilities

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

Amounts payable in respect of group relief

Amounts payable in respect of group relief represents amounts owed for the benefit of tax losses received from other entities within the Group.

Derivative financial instruments

Derivatives are used to manage exposure to movements in interest rates, foreign exchange rates and inflation. Derivatives are initially recognised at fair value, with transaction costs being taken to the income statement. Derivatives are measured at fair value at each financial reporting date, using the methodology described in note 12.

Initially, recognition is at fair value, with transaction costs being taken to the Income Statement. Gains or losses on 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.

Fair value measurement

The Company measures financial instruments, such as derivatives, at fair value at each financial reporting date. Fair value is the price that would be received in selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value reflects the non-performance risk.

Financial assets and financial liabilities

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

Offsetting financial instruments

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

Material accounting policy information (continued)

Taxation

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

Current taxation

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

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

Deferred taxation

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

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

Significant accounting judgements and key sources of estimation uncertainty

The preparation of annual financial statements requires the Company to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty for the year ended 31 March 2025 are contained in the sections below:

Derivative financial assets and liabilities

Accounting estimate – valuation of derivatives

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

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

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

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

Material accounting policy information (continued)

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

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 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 they are assessed as a unit for current versus non-current disclosure. 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 1-3 based on the degree to which the fair value is observable.

Level 1: Quoted prices in active markets for identical assets or liabilities that can be accessed

Level 2: Significant inputs other than within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Inputs for the assets or liabilities that are not based on observable market data and require management assumptions or inputs from unobservable markets.

Unless otherwise stated, all of the Company’s inputs to valuation techniques are Level 3 – the fair value is determined using management assumptions from inputs other than quoted prices. The fair value of derivative financial instruments, including cross currency swaps and index-linked swaps are measured using the discounted cash flows of all of the transactions within each netting set. The future cash flows are projected based on observable forwards interest rates and inflation rates, and future 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. 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 a Class A accretion agreement which is accounted for as a derivative but is documented as a Class A instrument, so ranks alongside Class A debt and are valued by reference to the trading levels of Class A debt.

Material accounting policy information (continued)

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

Credit risk adjustment (continued)

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, a 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 Company's super senior instruments.

Recovery rate assumptions to be used in the valuation of derivatives were also considered. At 31 March 2024 and 30 September 2024 a recovery rate of 40% was used for both Thames Water and swap counterparties in the valuation of derivatives. At 31 March 2025, the Class A bond trading levels (70% - 80%) have been used as an indicator of the level of loss which creditors might expect in a near term restructuring. The recovery rate for super senior instruments would be expected to be higher than for Class A debt, and management judgement has been used in the assumption of a recovery rate of 85%, to reflect this seniority, and is approximately half-way between Class A bond trading levels and the maximum possible recovery rate of 100%. A lower rate was not selected because this was seen as too close to the Class A bond trading levels and so would not sufficiently take into account the higher ranking of the swaps versus Class A debt.

Management believe the assumptions used are reasonable, with the rationale set out above, although the credit related assumptions are not based on observable inputs. Management acknowledge that the assumption on recovery rate and credit spread is a significant assumption in the valuation methodology and that reasonably possible changes in the estimates could have a material impact. For example, if the recovery rate assumption was reduced from 85% to 75%, the increase in credit adjustment on super senior swaps would be:

- £11 million using the same credit spread assumption as described above, meaning a different probability of default is implied
- £21 million if the probability of default implied by the methodology 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.

TWUF has one Class A accretion agreement which is accounted for as a derivative for which, under the court-sanctioned 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 where the timing of cash flows is linked to when the ongoing appeal of the court-sanctioned 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 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, which for accounting purposes are considered as integral with the related index-linked swaps. The use of unobservable inputs for every type of derivative means they have all been classified as Level 3.

As at 31 March 2024 the differential in spreads 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 TWUL 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 12 for further details.

Material accounting policy information (continued)

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

Credit risk adjustment (continued)

The uncertainty on appropriate inputs for valuation for derivatives may persist into the next financial year, depending on the success and timing of TWUL's plans for a recapitalisation. The going concern section provides further information on the assessment of access to funding and liquidity.

The 31 March 2025 movement from Level 2 to Level 3 instruments is shown below for the Company

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

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

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

The net total of derivative financial assets and liabilities as at 31 March 2025 was a liability of £181.2 million (31 March 2024: a liability of £257.8 million) of which £14.9 million was consent fee derivatives element. Refer to note 10 on page 51 for more information. The valuations if no credit and any other adjustment is applied is £228.2 million net liability (31 March 2024: £372.6 million net liability). The credit and any other adjustment is £47.0 million (31 March 2024: £114.8 million).

Credit risk sensitivity analysis is included in Note 12.

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 "Financial Instruments" does not permit the recognition of a restructure date fair value change on the income statement unless it relates to factors that are fully observable in the market. In cases where, due to unobservable factors, it is not possible to reliably identify the actual fair value movement, the whole of the observed fair value movement is capitalised and recognised in the income statement over the maturity period of the relevant restructured derivative.

During 2019/20, two index-linked swaps with a total notional value of £200 million were restructured and extended to 2039. At the restructuring date the fair value of these instruments, as indicated by their fair value immediately prior to the restructuring, could not be supported by observable inputs alone. In management's view the reduction in value of £22.2 million at the restructuring date is supported by unobservable factors including the counterparty's credit, capital, funding and trading charges. This reduction in value that was supported by unobservable inputs does not impact the ongoing valuation methodology of the index-linked swaps, which continue to be significantly 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 means that they are now categorised as level 3. The movement at the restructuring date was deferred on the statement of financial position in compliance with IFRS 9 and is recognised in the income statement on a straight-line basis over the life of the underlying derivative instrument. As at 31 March 2025, £15.8 million (2024: £17.0 million) remained capitalised and £1.2 million had been recognised in the income statement (2024: £1.2 million). See Note 12 "Financial Instruments" for more information.

Material accounting policy information (continued)

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

Intercompany loans receivable

Accounting judgement and estimation – provision for expected credit losses

Management makes an estimate of the recoverable value of 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, the credit rating and ageing profile of the receivables, net debt of the borrowing entity, seniority of debt and historical experience, among other factors. Key inputs into management's expected credit losses model include the forecast outcome of the Competitions and Markets Authority (CMA) appeal regarding the Final Determination awarded to TWUL by Ofwat for AMP8 (period from 1 April 2025 to 31 March 2030), and assumptions on an expected haircut on debt as part of the holistic recapitalisation plan.

In accordance with the specific requirements of IFRS 9, the expected credit loss on the loan receivables is determined by estimating the expected recoverability of these assets based on different scenarios considered by management, informed by available data and information where possible. Various recovery scenarios were considered in a multiple factor analysis applying management's judgement to assign probabilities to possible outcomes regarding the CMA appeal on the Final Determination by Ofwat for AMP8. A scenario including TWUL entering into a Special Administration Regime (SAR) was considered. These scenarios include a scenario with where the £11,656 million of the receivable is recoverable, and a scenario where £8,971 million of the receivable is recoverable.

Management have also exercised significant 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 scenarios as follows:

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

Provisions for expected credit losses on receivables, which are detailed in note 7 and note 9, total £4,083.3 million as at the year ended 31 March 2025 (2024: £55.0 million). Refer to further detail of the impact on the intercompany loans receivable (Note 9).

Classification of current/non-current under IAS 1

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 be, 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 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 IAS1 amendments also clarify that covenants of loan arrangements which 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 rollover 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.

Material accounting policy information (continued)

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

Classification of current/non-current under IAS 1

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 which 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 RBC facility only, no Trigger Event has occurred and 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 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.

As at 31 March 2024, the Company had drawn £1,430.7 million of revolving credit facilities, all of which were classified as current. As a result of the Amendment, £1,280.7 million will be reclassified as non-current, and the remaining £150.0 million will remain 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 drawdowns on revolving credit facilities were converted to term loans on 25 February 2025, when the Master Amendment and Restatement agreement became effective. Further, 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 TWUL Group regains investment grade credit ratings from two agencies.

In order to obtain consent for the modification of the terms to the external debt and permission for higher ranked super senior debt to be raised under the court-sanctioned restructuring plan, consent fees were incurred. These fees were settled by TWUL through issuance of consent fee debt, in the form of bonds, loans and fee letters, in lieu of cash. The Company was charged its portion of the consent fees, which has been recognised in the income statement, although the Company charged the same amount to TWUL in connection with the changes to its intercompany loans to TWUL, including the insertion of higher ranking super senior debt issued by TWSSI and guaranteed by TWUL, and the two year maturity extension of intercompany loans.

As at 31 March 2025 all the Company's borrowings have been classified as non-current in line with their existing contractual terms. In assessing the current/non-current classification of debt at 31 March 2025 year end, the necessary factors which would enable the debt to exist for at least 12 months have been considered. These factors include at the period end:

- 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 TWUL not being permitted to draw down further super senior funding from TWSSI after 31 July 2025 (with the exception of a £126 million in August 2025) unless a lock-up agreement is in place supported by 66⅔% of Class A and 66⅔% of super senior lenders
- The risk of a SAR (Special Administration Regime) under which debt becomes immediately repayable.

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.

Material accounting policy information (continued)

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

Classification of current/non-current under IAS 1 (continued)

- 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, TWUL Group debt was rated investment grade by two rating agencies

There is insufficient certainty around the above listed items to conclude that anything other than the legal maturity date should be used in the current/non-current classification. However, if the 31 July 2025 release condition is not extended with the agreement of creditors, there will be a significant liquidity risk which could lead to TWUL being in a Special Administration Regime (SAR) or becoming insolvent in which case the liabilities of the Company would become immediately due and payable, and so would become current.

IAS 1 amendments to the previously stated balances on the Consolidated statement of financial position are:

	As at 31 March 2024			As at 1 April 2023		
	Previously stated £m	IAS 1 Amendments £m	Restated £m	Previously stated £m	IAS 1 Amendments £m	Restated £m
Current liabilities:						
Borrowings	(2,127.8)	1,280.7	(847.1)	(1,803.1)	370.7	(1,432.4)
Net current assets	318.5	1,280.7	1,599.2	261.1	370.7	631.8
Non-current liabilities:						
Borrowings	(12,726.1)	(1,280.7)	(14,006.8)	(12,174.4)	(370.7)	(12,545.1)
Net assets	216.6	-	216.6	135.9	-	135.9

Debt Modification

On 25 February 2025 the terms of all 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 apply to external Class A and B debt and intercompany debt. TWUL issued consent fee debt to consenting creditors and interest rate and index-linked swap counterparties, settling the relevant portion of consent fees on behalf of the Company as part of an agreement between the Company and TWUL. Interest rate and index-linked swap counterparties were also granted additional fees by the Company in the form of consent fee derivatives, which are integrally linked to interest rate and index-linked swaps. In 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 subsequent to the reporting date has been partially drawn down by TWUL's financing subsidiary, TWSSI and lent to TWUL. The ranking of debt and derivatives was also modified in the court-sanctioned 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. 31 July 2025, a release condition means that no further drawdowns are permitted by TWUL under its loan facility with TWSSI (with the exception of £126 million approved for August 2025), unless a lock-up agreement is in place supported by 66⅔% of Class A and 66⅔% of super senior lenders. If the appeal of the court-sanctioned restructuring plan were to be successful, the modifications effected under the restructuring plan would need to be reversed.

Debt, as extended by the court-sanctioned 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 above (*Classification of current/non-current under IAS 1*).

Material accounting policy information (continued)

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

Debt Modification (continued)

Under IFRS 9 the terms are considered substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent 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. 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. However, in performing the 10% test, there was significant judgement applied regarding the treatment of the consent fees.

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

- Consent fees were awarded to all lenders, 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 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. It is reasonable to assume that in the next few years TWUL Group will regain two investment grade credit ratings, sometime following a successful recapitalisation. 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. Since the Group adopt a policy to use current benchmark rates for the periodic re-estimation of future cashflows on variable rate instruments, and also for discounting purposes, the gain or loss on modification was quantified as immaterial.

The consent fees payable to all consenting creditors, were settled by TWUL with debt in the form of bonds, loans or fee letters depending on creditors' preferences, in lieu of cash. There was a recharge of £90.1 million by TWUL to the Company relating to consent fees on the Company's debt, with an offsetting consent fee due from TWUL to the Company 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 TWUL. The consent fees incurred by the Company are presented as a finance expense and the consent fees received by the Company are presented as finance income.

Notes to the financial statements

1. Administrative expenses and auditors' remuneration

Administrative expenses

For the year ended 31 March	2025 £m	2024 £m
Auditors' remuneration	0.2	0.1
	0.2	0.1

Auditors' remuneration

The remuneration of the auditors', PricewaterhouseCoopers LLP, of £202,260 was charged to the Company in the current year. In the prior year, the auditors' remuneration was £133,664. The total amount payable relating to the Company was:

For the year ended 31 March	2025 £m	2024 £m
<i>Fees payable to the auditors</i>		
Statutory audit fees	0.1	0.1
<i>Fees payable to the auditors for other services</i>		
Audit related assurance services	0.1	-
	0.2	0.1

Other assurance services in both the current and preceding financial year includes amounts payable for the review of the Company's interim financial statements and agreed upon procedures in relation to financial covenant calculations. No other fees were payable to PricewaterhouseCoopers LLP in respect of this Company during the year (2024: £nil).

2. Employees and Directors

Employees

The Company had no employees during the year (2024: none).

Directors

During the year, the Company had 7 Directors (2024: 5 Directors) who are all Executive Directors and received no remuneration in respect of their services to the Company, in both the current and preceding financial year. There were no retirement benefits accruing in either the current or preceding financial year. The services provided by the Directors to the Company is inconsequential to the services provided by the Directors to TWUL, hence there is no recharge for the Directors' remuneration from TWUL.

3. Segmental analysis

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

Notes to the financial statements (continued)

4. Finance income

For the year ended 31 March	2025 £m	2024 £m
Interest income on intercompany loans receivable	672.0	654.4
Other finance fees recharged to TWUL	0.8	1.2
Net interest income/(expense) on swaps	12.9	(1.0)
Interest income on bank deposits	0.1	0.1
Exceptional debt restructuring recharges from TWUL ¹	105.1	-
	790.9	654.7

¹ Exceptional debt restructuring recharges to TWUL of £105.1 million related to:

- Exceptional financing costs of £90.2 million (2024: £nil) outlined in note 5. The Company's portion of these fees were deemed settled on the issuance of consent fee debt in TWUL.
- Exceptional financing costs in relation to consent fee derivatives of £14.9 million (2024: £nil), which are explained further in note 6 that will be funded by TWUL, and for which an intercompany receivable has been recognised.

5. Finance expense

For the year ended 31 March	2025 £m	2024 £m
Interest expense on borrowings	632.7	611.0
Other finance fees	0.9	1.1
Exceptional debt restructuring costs ¹	90.2	-
	723.8	612.1

¹ Exceptional debt restructuring costs of £90.2 million relate to the Company's portion of consent fee that were incurred to obtain consent from creditors for the insertion of the super senior facility and to extend all debt maturities by 2 years, subject to TWUL Group obtaining two investment grade ratings. These costs were settled on behalf of the Company by TWUL by the issuance of consent fee debt.

6. Net (losses)/gains on financial instruments

For the year ended 31 March	2025 £m	2024 £m
Net exchange gains on foreign currency borrowings and intercompany loans receivable	65.7	93.8
Net (losses)/ gains arising on swaps where hedge accounting is not applied ¹	(48.1)	25.5
Gain on extinguishment of debt ²	-	7.0
Loss on extinguishment of intercompany loans receivable ³	-	(7.0)
Exceptional debt restructuring costs	(14.9)	-
	2.7	119.3

¹ Net (losses)/gains arising on swaps where hedge accounting is not applied primarily reflects higher interest rate expectations, higher own credit spread and lower RPI expectations. The amount includes the fair value of £30.4 million (2024: £38.5 million) accreted on index-linked swaps during the year.

² Gain on extinguishment of debt includes £7.0 million relating 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 Loss on extinguishment of intercompany loans receivable includes £7.0 million relating to a loss from partial repurchase of a £500.0 million intercompany loan with TWUL (originally due to mature in 2025) in January 2024.

The Company recognised £14.9 million (2024: £nil) exceptional items on financial restructuring relating to consent fee derivatives that were incurred to obtain consent from hedging counterparties for the changes to the terms of debt under the court-sanctioned restructuring plan. These costs are considered exceptional in nature with additional significant expenditure to be incurred that is not in the ordinary course of the business.

Notes to the financial statements (continued)

7. Impairment losses on intercompany loans receivable

For the year ended 31 March	2025 £m	2024 £m
Impairment losses on intercompany loans receivable from Thames Water Utilities Limited	4,028.3	55.0
Total	4,028.3	55.0

The Company has intercompany loans receivable due from Thames Water Utilities Limited, totalling £14,654.2 million (2024: £14,981.0 million) in book value, together with accrued interest of £406.2 million (2024: £301.5 million) before impairment. As a result of the impairment raised in the year on the intercompany loans, an impairment loss of £4,028.3 million (2024: £55.0 million) has been recognised in the Income Statement. The impairment has been recognised following an analysis of the loan receivable's expected credit loss in line with IFRS 9. Refer to note 9 for further details of the intercompany loans receivable.

8. Tax charge on profit

For the year ended 31 March	2025 £m	2024 £m
Current tax:		
Amounts payable in respect of group relief – current period	-	2.9
Amounts payable in respect of group relief – prior periods	(2.9)	-
Total current tax charge	(2.9)	2.9
Deferred tax:		
Origination and reversal of timing differences in current period	3.8	23.2
Total deferred tax charge	3.8	23.2
Tax charge on profit on ordinary activities	0.9	26.1

The tax charge (2024: charge) for the year is lower (2024: lower) than the standard rate of corporation tax in the UK of 25% (2024: 25%). The differences are explained below:

For the year ended 31 March	2025 £m	2024 £m
(Loss)/ profit on ordinary activities before tax	(3,958.7)	106.8
Corporation tax (credit)/charge at 25% on profit on ordinary activities	(989.6)	26.7
Effects of:		
Movement in fair value of derivatives subject to initial recognition exemption	(4.5)	(16.3)
Transfer pricing adjustment	0.4	0.4
Amortisation of fair value uplift of loans	3.0	1.4
Foreign exchange gain on fair value uplift	0.2	0.2
Net Impairment losses	1,007.1	13.7
Adjustments in respect of prior periods – current tax	(2.9)	-
Group relief received for no payment	(12.8)	-
Total tax charge for the year	0.9	26.1

The Company has considered its position under the OECDs Global Anti-Base Erosion Model Rules (Pillar Two) and the UK's implementation of Multinational Top-up Tax and Domestic Top-up Tax legislation. While the Company is of sufficient size that it will be required to make filings in compliance with these rules for FY25, no material liability to top-up tax (either multinational or domestic) is expected to arise.

Notes to the financial statements (continued)

9. Intercompany loans receivable

As at 31 March	2025 ¹ £m	2024 £m
Amounts owed by Group undertakings		
Thames Water Utilities Limited	14,654.2	14,981.0
Interest receivable on amounts owed by Group undertakings²		
Thames Water Utilities Limited	406.2	301.5
Impairment on amounts owed by Group undertakings		
Expected credit loss provision	(4,083.3)	(55.0)
Total	10,977.1	15,227.5
Disclosed within non-current assets	10,570.9	12,732.5
Disclosed within current assets	406.2	2,495.0

¹ There are no amounts past their due by dates.

² Included within interest receivable on amounts owed by Group undertaking of £406.2 million is £14.9 million relating to the consent fee derivatives recognised in connection with the debt restructuring, for which payments will be funded by TWUL when they fall due.

On 31 August 2018, intercompany loans receivable previously held by Thames Water Utilities Cayman Finance Limited ("TWUCF") were transferred to the Company, at fair value. As at 31 August 2018, the fair value of the intercompany loans receivable transferred was £8,064.1 million, representing a fair value uplift of £1,653.9 million on the original book value held by TWUCF. During the year ended 31 March 2025, the fair value uplift amortisation of intercompany loans receivable was £51.3 million (2024: £55.3 million) and the unamortised fair value of the intercompany loans receivable as at 31 March 2025 was £6,521.3 million (2024: £6,572.6 million).

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

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

Under IFRS 9, for loans that are repayable on demand, the maximum period over which expected credit losses should be measured is the longest contractual period where an entity is exposed to credit risk. To the extent that loans are repayable on demand, the expected credit losses are based on the assumption that loan repayment is demanded in full at the reporting date.

Previously, the credit risk exposure from intercompany amounts owed by TWUL was considered immaterial, due to relatively stable and predictable cash flows associated with a regulated water company. This was supported by TWUL's obligation to maintain an investment grade credit rating as a condition of its regulatory licence. However, the greater uncertainty on the ability to secure further equity, credit rating downgrades by Moody's and S&P, reduced liquidity and that TWUL is subject to a 'cash lock-up' under its regulatory licence and financing documents, has, as was the case in the prior year, led the Company to conclude that the intercompany loans receivable are in "Stage 2" and a lifetime expected credit loss has been recognised following multi-factor analysis.

Notes to the financial statements (continued)

9. Intercompany loans receivable (continued)

The expected credit loss for the TWUL receivable was determined by estimating the expected recoverability based on different scenarios under which the Company expects repayment will or could be made. These scenarios included:

- Estimating the expected enterprise valuation of TWUL by reference to cash forecasts and cost of equity and the possible impacts on the recoverable amount of the TWUL receivable
- Assessing the probability and potential losses in a SAR

Market prices for debt issued by the Company and TWUL were also considered in assessing an expected credit loss.

These scenarios have resulted in a range of expected credit losses which have been probability weighted to assess an expected credit loss of £4,083.3 million at 31 March 2025 (2024: £55.0 million). This loss has been recognised in the 'Statement of financial position' and as an exceptional item and the increase during the year of £4,028.3 million has been recognised in the 'Income statement'.

10. Amounts owed by Group undertakings

As at 31 March	2025 £m	2024 £m
Amounts owed by Group undertakings		
Thames Water Utilities Limited	121.4	90.8
	121.4	90.8

Amounts owed by group undertakings include amounts owed by immediate parent company TWUL. As at 31 March 2025, £121.4 million (2024: £90.8 million) was recognised within amounts owed by group undertakings relating to amounts owed by TWUL, of which £120.6 million (2024: £90.1 million) reflects interest received by TWUL on behalf of the Company in relation to restructured swaps.

Notes to the financial statements (continued)

11. Borrowings

As at 31 March	2025 £m	2024 £m
Secured bank loans and private placements	1,921.4	2,055.2
Bonds	12,122.8	12,249.1
Amounts owed to Group undertakings	289.2	286.4
	14,333.4	14,590.7
Interest payable on borrowings	336.0	263.2
Total	14,669.4	14,853.9
Disclosed within non-current liabilities	14,333.4	14,006.8
Disclosed within current liabilities	336.0	847.1

Breakdown of secured bank loans and private placements

As at 31 March	2025 £m	2024 £m
\$106.0m 4.070% private placement due 2026 (b), (f), (g)	82.0	83.8
\$131.0m 4.270% private placement due 2029 (b), (f), (g)	101.2	103.4
€50.0m 2.100% private placement due 2030 (b), (f), (g)	41.7	42.6
\$250.0m 4.220% private placement due 2027 (b), (g)	192.4	196.0
£200.0m Class B floating rate loan due 2026 (e), (f), (g)	199.3	198.7
£270.0m floating rate loan due 2024 (a), (e)	-	270.0
£260.0m floating rate loan due 2024 (a), (e)	-	260.0
£280.0m floating rate loan due 2024 (a), (e)	-	280.0
£250.0m floating rate loan due 2024 (a), (e)	-	250.0
£220.7m Class B floating rate loan due 2024 (a), (c), (e)	-	220.7
£75.0m Class B floating rate loan due 2024 (c), (d), (e)	-	75.0
£75.0m Class B floating rate loan due 2024 (c), (e)	-	75.0
£150.0m floating rate loan due 2025 (a), (e), (g)	150.0	-
£260.0m floating rate loan due 2025 (a), (e), (g)	260.0	-
£280.0m floating rate loan due 2025 (a), (e), (g)	280.0	-
£250.0m floating rate loan due 2025 (a), (e), (g)	250.0	-
£365.0m floating rate loan due 2025 (a), (e), (g)	364.8	-
Total secured bank loans and private placements	1,921.4	2,055.2

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

- (a) The interest margins of these loans are based on (i) a ratings grid and will increase should the Company's senior debt credit rating be downgraded by both S&P and Moody's; and (ii) the Group's GRESB Score.
- (b) The Securitisation Group has entered into cross currency swap agreements which convert this debt into sterling debt. Hedge accounting is not applied.
- (c) In March 2024, the £370.7 million of Class B revolving credit facilities were drawn in full. In April 2024, these Class B drawdowns were fully repaid.
- (d) 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.
- (e) These loans' interest rates are based on SONIA (Sterling Overnight Index Average).
- (f) These loans and private placements are shown net of issuance costs.
- (g) On 25 February 2025 all debt had their maturity dates extended by two years, and all undrawn RCF facilities were cancelled and those drawn were converted to Term loans. However, the maturity dates will revert to the original maturity date if TWUL Group meets investment grade with two rating agencies, amongst other requirements. As discussed on pages 43 to 45, there is significant judgement on when TWUL Group will meet investment grade. The maturity dates in the table above reflect the original maturity date, although classification is based on the revised maturity date.

Notes to the financial statements (continued)

11. Borrowings (continued)

Breakdown of bonds

As at 31 March

	2025 £m	2024 £m
£330.0m 6.750% fixed rate due 2028 (f)	328.7	328.5
£200.0m 6.500% fixed rate due 2032 (b), (f)	198.6	198.4
£600.0m 5.125% fixed rate due 2037 (b), (f)	597.3	597.1
£300.0m 1.680% index-linked due 2053 (b), (f)	599.4	578.8
£300.0m 1.681% index-linked due 2055 (b), (f)	599.4	578.8
£300.0m 4.375% fixed rate bond due 2034 (f)	328.5	331.1
¥20,000.0m 3.280% fixed rate bond due 2038 (f)	125.8	128.8
£50.0m 3.853% index-linked bond due 2040 (c), (f)	118.2	119.0
£500.0m 5.500% fixed rate bond due 2041 (f)	625.6	631.4
£50.0m 1.980% index-linked bond due 2042 (b), (f)	117.9	116.1
£55.0m 2.091% index-linked bond due 2042 (b), (f)	126.4	124.4
£40.0m 1.974% index-linked bond due 2045 (b), (d), (f)	63.5	63.4
£300.0m 4.625% fixed rate bond due 2046 (f)	357.9	359.8
£100.0m 1.846% index-linked bond due 2047 (b), (f)	242.2	238.4
£200.0m 1.819% index-linked bond due 2049 (b), (f)	488.7	480.8
£200.0m 1.771% index-linked bond due 2057 (b), (f)	486.5	477.1
£350.0m 1.760% index-linked due 2062 (b), (f)	835	817.2
£314.5m 4.000% fixed rate due 2025 (e), (f)	315.4	319.9
£40.0m 0.750% index-linked bond due 2034 (b), (f)	63.8	62.1
£45.0m 0.721% index-linked bond due 2027 (b), (f)	69.1	67.2
£300.0m 3.500% fixed rate bond due 2028 (f)	304.4	305.9
£400.0m 7.738% fixed rate bond due 2058 (f)	714.8	719.1
£250.0m 2.625% fixed rate bond due 2032 (f)	241.3	240.1
£250.0m 2.875% Class B fixed rate bond due 2027 (f)	247.1	245.8
CAD 250.0m 2.875% fixed rate bond due 2024 (a),	0	145.5
£350.0m 2.375% fixed rate bond due 2040 (f)	346.6	346.5
£40.0m 2.442% fixed rate bond due 2050 (f)	39.9	39.9
\$57.0m 2.060% fixed rate bond due 2030 (a), (f)	44.0	44.9
\$40.0m 1.604% fixed rate bond due 2027 (a), (f)	30.9	31.6
€575.0m 0.875% fixed rate bond due 2028 (a), (f)	479.8	489.6
€575.0m 1.250% fixed rate bond due 2032 (a), (f)	476.2	485.6
€650.0m 4.000% fixed rate bond due 2027 (a), (f)	541.5	552.0
€1,000.0m 4.375% fixed rate bond due 2031 (a), (f)	833.9	851.2
£300.0m 8.250% fixed rate bond due 2040 (f)	294.6	294.5
£275.0m 7.125% fixed rate bond due 2031 (b), (f)	272.1	271.5
£575.0m 7.750% fixed rate bond due 2044 (b), (f)	567.8	567.1
Total bonds	12,122.8	12,249.1

All bonds are Class A except where highlighted.

- (a) The Company has entered into a cross currency swap which converts this debt into a sterling debt. Hedge accounting is not applied.
- (b) The value of the capital and interest elements of the index-linked debt is linked to movements in the Retail Price Index ("RPI").
- (c) This is a Limited Price Index ("LPI") bond. Accretion is calculated using an adjusted UK Retail Price Index.
- (d) The bond amortises semi-annually between October 2015 and October 2045 in accordance with a published schedule, with these amortisation dates extended by two years from 25 February 2025.
- (e) In January 2024, the Group repurchased £185.5 million principal (out of the £500.0 million external debt principal due in 2025) at a £7.0 million discount.
- (f) On 25 February 2025 all debt had their maturity dates extended by two years, and all RCF facilities were cancelled or converted to Term loans. However, the maturity dates will revert to their original maturity dates if TWUL Group achieves investment grade with two rating agencies. As discussed on pages 43 to 45, there is significant judgement on when TWUL Group will meet investment grade. The maturity dates in the table above reflect the original maturity date, although classification is based on the revised maturity date.

Notes to the financial statements (continued)

11. Borrowings (continued)

Amounts owed to Group undertakings

As at 31 March	2025 £m	2024 £m
£200.0m floating rate loan due 2039 (a), (b)	200.0	200.0
£100.0m floating rate loan due 2060 (a), (b)	89.2	86.4
Total amounts owed to group undertakings	289.2	286.4

- (a) This is an intercompany loan due to Thames Water Utilities Limited, the immediate parent company, repayable on demand, which therefore was restated to current borrowings at 31 March 2024. On 25 February 2025 its terms changed such that it is no longer repayable on demand so long as the Company remains in the stable platform period, which commenced on 25 February 2025 and will apply until the next senior debt maturity date (currently 22 March 2027).
- (b) Interest on the loans from TWUL is documented as being at a floating rate (LIBOR plus a margin) in both the current and preceding financial year but in line with the GBP LIBOR transition plan, the accruals have been calculated using SONIA plus a margin (refer to IBOR reform section on page 67 for more information).

Notes to the financial statements (continued)

12. 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
Fair value through profit or loss		
Cross currency swaps	55.9	65.3
Cash and cash equivalents - money market funds	1.4	1.4
	57.3	66.7
Amortised cost		
Cash and cash equivalents - cash at bank and in hand	-	0.2
Amounts owed by group undertakings	121.4	90.8
Intercompany loans receivable	10,977.1	15,227.5
	11,098.5	15,318.5
Total	11,155.8	15,385.2

Financial liabilities:

As at 31 March	2025 £m	2024 £m
Fair value through profit or loss		
Index-linked swaps	(179.3)	(295.6)
Cross currency swaps	(42.9)	(27.5)
Consent fee derivatives ¹	(14.9)	
	(237.1)	(323.1)
Amortised cost		
Borrowings	(14,669.4)	(14,853.9)
Amounts payable in respect of group relief	-	(2.9)
Other financial liabilities	(2.2)	(4.6)
	(14,671.6)	(14,861.4)
Total	(14,908.7)	(15,184.5)

¹ Consent fee derivatives were entered into as part of the restructuring in order to obtain consent from index-linked swap counterparties for the insertion of the super senior facility and extension of the debt and are integral to the related index-linked swaps. The fees are considered integral to the original swap as the cashflows depend on their mark to market. Therefore, the swap fees and original swap are a single unit of account. There have been presented separately to reflect the impact of the restructuring.

Fair value measurements

Refer to Significant accounting judgements and key sources of estimation uncertainty on pages 39 to 42 for 'accounting estimates – valuation of derivatives' giving details of the Fair value measurements 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.

Notes to the financial statements (continued)

12. Financial instruments (continued)

Fair value measurements (continued)

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 as at 31 March 2025, all of which are classified within financial liabilities:

As at 31 March	Level 2/3 ¹	
	2025 £m	2024 £m
Financial assets – derivative financial instruments		
Cross currency swaps	55.9	65.3
	55.9	65.3
Financial liabilities – derivative financial instruments		
Index-linked swaps	(179.3)	(295.6)
Cross currency swaps	(42.9)	(27.5)
Consent fee derivatives	(14.9)	-
	(237.1)	(323.1)
Net total	(181.2)	(257.8)
Disclosed within current assets	-	3.8
Disclosed within non-current assets	55.9	61.5
Disclosed within current liabilities	-	(140.9)
Disclosed within non-current liabilities	(237.1)	(182.2)

¹ The fair value of derivative financial instruments, including cross currency swaps and index-linked swaps are measured by analysing future cash flows of all of the transactions within each netting set. The future cash flows are estimated based on observable forward interest and inflation rates and future fair values are estimated under a wide range of market scenarios and valued taking into account the credit risk of the TWUL Group and the counterparties.

² Cross currency 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 court-sanctioned restructuring plan. These are considered integral to the original swap and also Level 3. These have been presented separately to reflect the impact of the restructuring.

Notes to the financial statements (continued)

12. Financial instruments (continued)

Comparison of fair value of financial instruments with their carrying amounts

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

Financial assets As at 31 March

	2025		2024	
	Book value £m	Fair Value £m	Book value £m	Fair Value £m
Intercompany loans receivable	10,977.1	9,600.6	15,227.5	11,967.0
Cash and cash equivalents	1.4	1.4	1.6	1.6
Derivative financial instruments				
Cross currency swaps	55.9	55.9	65.3	65.3
Amounts owed by group undertakings	121.4	121.4	90.8	90.8
Total	11,155.8	9,779.3	15,385.2	12,124.7

Financial liabilities As at 31 March

	2025		2024	
	Book value £m	Fair Value £m	Book value £m	Fair Value £m
Borrowings	(14,669.4)	(9,711.9)	(14,853.9)	(11,673.8)
Derivative financial instruments				
Index-linked swaps	(179.3)	(179.3)	(295.6)	(295.6)
Cross currency swaps	(42.9)	(42.9)	(27.5)	(27.5)
Consent fee derivatives	(14.9)	(14.9)		
Amounts payable in respect of group relief	-	-	(2.9)	(2.9)
Other financial liabilities	(2.2)	(2.2)	(4.6)	(4.6)
Total	(14,908.7)	(9,951.2)	(15,184.5)	(12,004.4)

Intercompany loans receivable

The fair value for intercompany loans receivable from group entities represents the fair value of the underlying debt and associated derivatives, and is based on an estimate of future cash flows, including expectations about possible variations in the amount and timing of these cashflows.

Borrowings

The fair value of borrowings is represented by the market value of publicly traded underlying liquid bonds (level 1 inputs to valuation technique). For all other debt instruments the fair value is based on the outstanding nominal value (including accrued accretion for index-linked debt instruments) to which the weighted average price of publicly traded liquid bonds of the same ranking (Super Senior, Class A or Class B) is applied. Foreign currency values are translated at the spot rate. Accrued interest is then added. Traded bond prices are not necessarily reliable indicators of a final outcome, given bond prices are inherently speculative, reflect credit risk and are not reflective of fundamental value during periods of forced selling by investment grade bond portfolios post a credit rating downgrade to sub-investment grade.

Notes to the financial statements (continued)

12. Financial instruments (continued)

Capital risk management

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

The TWUL Group's key objectives in managing capital are

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

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

The details of the Securitisation Group's capital structure are included within TWUL's financial statements, which may be obtained from the Company Secretary's Office at the address included in Note 17.

The capital structure of the Company consists of net debt and equity as follows:

As at 31 March	2025 £m	2024 £m
Secured bank loans and private placements	(1,921.4)	(2,055.2)
Bonds	(12,122.8)	(12,249.1)
Amounts owed to Group undertakings	(289.2)	(286.4)
Interest payable on borrowings	(336.0)	(263.2)
	(14,669.4)	(14,853.9)
Cash and cash equivalents	1.4	1.6
Net debt (statutory basis)	(14,668.0)	(14,852.3)
Equity attributable to the owners of the Company	(3,743.0)	216.6

Notes to the financial statements (continued)

12. Financial instruments (continued)

Reconciliation of liabilities arising from financing activities

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

	2025		Restated ¹ 2024	
	Borrowings	Net derivative financial (liabilities)/ assets	Borrowings	Net derivative financial (liabilities)/ assets
	£m	£m	£m	£m
Opening balance	(14,853.9)	(257.8)	(13,977.5)	(326.2)
Non-current				
	(14,006.8)	(120.7)	(12,174.4)	(344.4)
Current	(847.1)	(137.1)	(1,803.1)	18.2
Cash flows				
New loans raised	(365.8)	-	(2,934.8)	-
Repayment of borrowings ²	633.1	-	2,153.9	-
Proceeds from derivative settlement ³	-	-	-	(28.4)
Payment for derivative settlement ⁴	-	146.6	-	54.6
Interest paid	463.3	-	382.1	-
Interest received	-	(7.0)	-	17.7
	730.6	139.6	(398.8)	43.9
Non-cash changes				
Interest accrued/fees amortised	(536.8)	-	(452.4)	(1.0)
Foreign exchange movement	67.3	-	116.8	-
Indexation	(109.8)	-	(191.6)	-
Amortisation on transfer from group companies ⁵	33.2	-	49.6	-
Fair value changes	-	(63.0)	-	25.5
	(546.1)	(63.0)	(477.6)	24.5
Closing balance	(14,669.4)	(181.2)	(14,853.9)	(257.8)
Non-current	(14,333.4)	(181.2)	(14,006.8)	(120.7)
Current	(336.0)	-	(847.1)	(137.1)

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 43 to 45

² New loans are shown net of fees of £nil (2024: £1.1 million)

³ Proceeds from derivative settlement of £nil million (2024: £28.4 million).

⁴ Payment for derivative settlement of £146.6 million (2024: £54.6 million) includes £143.5 million (2024: £34.7 million) relating to net accretion paydown on index-linked swaps and £3.1 million (2024: £19.9 million) relating to settlement of cross currency swaps.

⁵ On 31 August 2018, the debt and derivative instruments previously held by Thames Water Utilities Cayman Finance Limited ("TWUCF") were transferred to the Company, at fair value. As at 31 August 2018, the fair value of the debt liability transferred was £7,853.5 million, representing a fair value uplift on debt of £1,410.7 million on the original book value held by TWUCF. Fair value of the derivatives liability transferred was £94.4 million. Amortisation on transfer from group companies only relates to the debt liability transferred.

Notes to the financial statements (continued)

12. Financial instruments (continued)

Financial risk management

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

(a) Market Risk

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

As at 31 March 2025	Total at fixed rates £m	Total at floating rates £m	Total at RPI linked rates £m	Total £m
<i>Interest bearing loans and borrowings</i>				
Net of corresponding swap assets				
Sterling	(8,121.2)	(1,305.2)	(3,780.3)	(13,206.7)
Non-sterling	(103.4)	-	-	(103.4)
Total	(8,224.6)	(1,305.2)	(3,780.3)	(13,310.1)
As at 31 March 2024	Total at fixed rates £m	Total at floating rates £m	Total at RPI linked rates £m	Total £m
<i>Interest bearing loans and borrowings</i>				
Net of corresponding swap assets				
Sterling	8,254.0	1,429.5	3,780.7	13,464.2
Non-sterling	104.6	-	-	104.6
Total	8,358.6	1,429.5	3,780.7	13,568.8

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

Year ended 31 March	Weighted average interest rate		Weighted average period until maturity	
	2025 %	2024 %	2025 Years	2024 Years
Sterling				
Fixed	4.4	4.9	9.8	10.5
Index-linked	5.3	7.7	28.3	27.1
Non-Sterling				
Fixed	3.3	3.3	15.4	14.4

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

Notes to the financial statements (continued)

12. Financial instruments (continued)

Financial risk management (continued)

(a) Market Risk (continued)

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

(i) Interest rate risk sensitivity analysis

The Company holds both fixed and floating rate borrowings. Fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. Floating rate borrowings are exposed to a risk of change in interest cash flows due to changes in interest rates. The Company uses interest rate swaps which economically hedge future cash flows to protect against interest rate movements.

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.

As at 31 March	2025		2024	
	+1% £m	-1% £m	+1% £m	-1% £m
Profit/(loss)	169.4	(185.3)	196.0	(209.0)
Equity	169.4	(185.3)	196.0	(209.0)

(ii) Exchange rate sensitivity analysis

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

The table below summarises the impact of changes in the year end valuations of financial assets and liabilities denominated in foreign currency on pre-tax profits of a 10% strengthening or weakening of GBP against the respective currencies in which the financial assets and liabilities are denominated at 31 March 2025. This analysis assumes that all other variables in the valuation remain constant.

As at 31 March	2025		2024	
	+10% £m	-10% £m	+10% £m	-10% £m
Profit/(loss)	(1.6)	(22.1)	8.9	(42.2)
Equity	(1.6)	(22.1)	8.9	(42.2)

(iii) 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, TWUL, 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.

Notes to the financial statements (continued)

12. Financial instruments (continued)

Financial risk management (continued)

(a) Market Risk (continued)

(iii) Inflation risk sensitivity analysis (continued)

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		2024	
	+1% £m	-1% £m	+1% £m	-1% £m
(Loss)/profit	(155.6)	128.5	(134.2)	112.1
Equity	(155.6)	128.5	(134.2)	112.1

(iv) Own credit risk sensitivity analysis

Refer to Significant accounting judgements and key sources of estimation uncertainty on pages 39 to 42.

TWUL 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:

- £11.0 million increase in profit, using the same credit spread assumptions, meaning a different probability of default is implied.
- £21.1 million increase in profit, using the same probability of default assumptions, meaning a different credit spread assumption has been applied.

(b) Credit risk

The Company's maximum exposure to credit risk is the carrying amount of financial assets recorded in the financial statements, which is net of impairment losses; therefore, the maximum exposure to credit risk at the statement of financial position date was £11,139.1 million (2024: £15,385.2 million) as shown below:

As at 31 March	2025 £m	2024 £m
Intercompany loans receivable	10,977.1	15,227.5
Derivative financial instruments	55.9	65.3
Cash and cash equivalents	1.4	1.6
Other financial assets	121.4	90.8
Total	11,155.8	15,385.2

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

The amount due from TWUL, which is part of the Securitisation Group, as at 31 March 2025 (net of impairment losses) was £11,098.5 million (2024: £15,318.3 million). There are no amounts past their due dates.

Notes to the financial statements (continued)

12. Financial instruments (continued)

Financial risk management (continued)

(b) Credit risk (continued)

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

At a TWUL consolidated level an assessment was performed to consider if the TWUL Group can meet all liabilities due in the twelve months from date of signing of the consolidated financial statements (15 July 2025), with material uncertainty in relation to the going concern basis identified. As required by IFRS 9 the Directors have also considered whether anything might happen that could cause the Company to be unable to pay the interest and principal on other debt when it falls due. Previously, the credit risk exposure from intercompany loans owed by a regulated water company, was considered immaterial. This was supported by TWUL's obligation to maintain an investment grade credit rating as a condition of its regulatory licence conditions. However, this position changed after the announcement that TWUL would not be receiving equity from shareholders in March 2024, followed by credit rating downgrades by Moody's and S&P and the pursuit of the court-sanctioned restructuring plan.

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

For derivative counterparties there is a mechanism for the counterparty to post collateral when the counterparty fails to meet the necessary credit rating criteria and amounts due to the Company under outstanding derivative contracts exceed a contractually agreed threshold amount. During the year ended 31 March 2025, no collateral was held (2024: £nil).

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

As at 31 March	2025 £m	2024 £m
AAA	1.4	1.4
A+	-	0.2
A	-	-
Total	1.4	1.6

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.

Notes to the financial statements (continued)

12. Financial instruments (continued)

Financial risk management (continued)

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

As at 31 March	2025 £m	2024 £m
AA-	11.3	13.8
A+	35.5	39.6
A	9.1	11.9
Total	55.9	65.3

(c) Liquidity Risk

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

As at 31 March	2025 £m	2023 £m
- Within one year ¹	-	(1,864.6)
- Between one and two years	-	(321.9)
- Between two and three years	(1,620.2)	(480.6)
- Between three and four years	(192.4)	(1,694.6)
- Between four and five years	(1,673.4)	(330.7)
- After more than five years	(10,423.1)	(9,898.3)
Total	(13,909.1)	(14,590.7)

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 non-derivative financial liabilities

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

As at 31 March	2025 £m	2024 £m
Undiscounted amounts payable		
- Within one year	(447.4)	(2,343.8)
- Between one and two years	(537.5)	(783.4)
- Between two and three years	(2,508.8)	(916.6)
- Between three and four years	(705.1)	(2,125.4)
- Between four and five years	(2,075.3)	(708.3)
- After more than five years	(20,692.9)	(18,940.4)
Total	(26,967.0)	(25,817.9)

Notes to the financial statements (continued)

12. Financial instruments (continued)

Financial risk management (continued)

(c) Liquidity Risk (continued)

Cash flows from derivative financial instruments

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

As at 31 March	2025 £m	2024 £m
Undiscounted amounts receivable/(payable)		
- Within one year	(19.7)	(137.0)
- Between one and two years	19.5	(13.1)
- Between two and three years	17.4	24.9
- Between three and four years ¹	(1.1)	(11.0)
- Between four and five years ¹	(145.5)	(1.0)
- After more than five years ¹	(303.3)	(623.1)
Total	(432.7)	(760.3)

¹Break 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.

Notes to the financial statements (continued)

12. Financial instruments (continued)

Financial risk management (continued)

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 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 amounts' shows the impact on the statement of financial position if circumstances arose for set-off rights to be applied.

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

As at 31 March 2024	Effects of offsetting on the statement of financial position				
	Gross amounts £m	Amounts set off £m	Net amounts presented £m	Impact of master netting arrangements £m	Net amounts £m
Financial assets					
Derivative financial instruments	65.3	-	65.3	(23.5)	41.8
	65.3	-	65.3	(23.5)	41.8
Financial liabilities					
Derivative financial instruments	(323.1)	-	(323.1)	23.5	(299.6)
	(323.1)	-	(323.1)	23.5	(299.6)
Total	(257.8)	-	(257.8)	-	(257.8)

Notes to the financial statements (continued)

12. Financial instruments (continued)

Financial risk management (continued)

IBOR reform

The following table contains details of all of the financial instruments that the Company held at 31 March 2025 which reference GBP LIBOR and had not yet transitioned to SONIA or an alternative interest rate benchmark. Included in the £289.2 million of borrowings in the table below are two intercompany loans with TWUL that were directly linked to LIBOR. Refer to Note 11 Borrowings for a breakdown of these intercompany loans.

	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>				
<i>Amortised cost Borrowings</i>	-	(289.2)	-	(289.2)
Total assets and liabilities exposed to GBP LIBOR	-	(289.2)	-	(289.2)

	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>				
<i>Amortised cost Borrowings</i>	-	(286.4)	-	(286.4)
Total assets and liabilities exposed to GBP LIBOR	-	(286.4)	-	(286.4)

Notes to the financial statements (continued)

13. Deferred tax assets

As at 31 March	2025 £m	2024 £m
At the beginning of the year	12.8	36.0
Amounts charged to income statement based on fair value movements	(3.8)	(23.2)
At the end of the year	9.0	12.8

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

14. Called up share capital and other reserves

Called up share capital

As at 31 March	2025 £	2024 £
Allotted, called-up and fully paid		
50,001 (2024: 50,001) ordinary shares of £1 each	50,001	50,001
Total	50,001	50,001

Authorised shares are 50,001, which have all been allotted

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

Other reserves

As at 31 March	2025 £m	2024 £m
Other reserves	207.7	207.7
Total	207.7	207.7

Notes to the financial statements (continued)

15. Guarantees

The Company, Thames Water Utilities Holdings Limited ("TWUHL") and Thames Water Utilities Limited ("TWUL") are Obligors under the whole business securitisation entered into in 2007. The Obligors have all entered into a Security Trust and Inter-creditor Deed ("STID"). Pursuant to this arrangement, TWUHL guaranteed the obligations of each other Obligor under the finance agreement. Additionally, TWUL, and the Company, have guaranteed the obligations of each other under the finance agreement, in each case to the Security Trustee. The guaranteed debt on a post swap basis as at 31 March 2025 was £17,901.7 million (2024: £17,302.8 million).

16. Related Parties

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

Intercompany loans receivable

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

Amounts owed by Group undertakings represent cumulative financing proceeds that have been loaned to TWUL. Details of intercompany loans receivable can be found in note 9. There are no amounts past their due dates (2024: £nil).

Previously, the credit risk exposure from assets related to intercompany debt owed by a regulated water company, which has relatively stable and predictable cash flows, was considered immaterial. This was supported by TWUL's obligation to maintain an investment grade credit rating as a condition of its regulatory licence. However, the greater uncertainty on the ability to secure further equity, credit rating downgrades by Moody's and S&P, reduced liquidity and that TWUL is subject to a 'cash lock-up' under its regulatory licence and financing documents, has, as was the case in the prior year, led the Company to conclude that the intercompany loans receivable are in "Stage 2" and a lifetime expected credit loss has been recognised following multi-factor analysis.

The Company has conducted an impairment analysis under IFRS 9, resulting in an expected credit loss provision of £4,083.3 million (2024: £55.0 million) on its receivables from TWUL in the statement of financial position and income statement, as an exceptional item. When assessing the expected credit loss, management considers factors driving recoverability such as the borrower's ability to pay, the credit rating, the net debt of the borrowing entity, seniority of debt and historical experience, among other factors.

Total interest earned from TWUL in respect of the year ended 31 March 2025 was £686.9 million (2024: £654.4 million).

Other finance fees recharged to TWUL in respect of the year ended 31 March 2025 was £91.0 million (2024: £1.2 million).

Amounts owed by group undertakings

Amounts owed by group undertakings include amounts owed by immediate parent company TWUL. As at 31 March 2025, £121.4 million (2024: £90.8 million) was recognised within amounts owed by group undertakings relating to amounts owed by TWUL, of which £120.6 million (2024: £90.1 million) reflects interest received by TWUL on behalf of the Company in relation to restructured swaps.

Borrowings

Amounts owed to Group undertakings represent floating rate loans payable to TWUL. Details of the borrowing can be found in note 11. There are no amounts past their due dates (2024: £nil).

Interest on the loans from TWUL is charged at a floating rate (LIBOR plus a margin) in both the current and preceding financial year but in line with the GBP LIBOR transition plan, the accruals have been made using SONIA plus a margin (refer to IBOR reform section of the Accounting policies for more information). Total interest earned by TWUL in respect of the year ended 31 March 2025 was £21.6 million (2024: £27.5 million).

Notes to the financial statements (continued)

16. Related Parties (continued)

Other financial liabilities

Other financial liabilities include amounts owed to immediate parent company TWUL. As at 31 March 2025, £1.1 million (2024: £3.5 million) was recognised within other financial liabilities relating to amounts owed to TWUL.

Transactions with key management personnel

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

No other Director had significant contracts with the Company or any other body corporate within the Group other than their contracts of service with TWUL (2024: none).

17. Immediate and ultimate parent and controlling party

Thames Water Utilities Limited, a company incorporated in the United Kingdom is the immediate parent company, which owns 100% of the issued share capital of the 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 expected to prepare consolidated financial statements.

Kemble Water Holdings Limited is owned by 9 shareholders, of which the largest holder is Ontario Municipal Employees Retirement System (OMERS) with a 31.777% holding.

The address of the registered office of the abovementioned companies is Clearwater Court, Vastern Road, Reading, Berkshire, RG1 8DB. Copies of the financial statements for these entities may be obtained from The Company Secretary's Office at this address.

18. Post balance sheet events

A Member of Parliament is seeking to challenge the court-sanctioned 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 TWUL does not meet the conditions precedent to draw down on the £1.5 billion super senior facility issued by the new entity, Thames Water Super Senior Issuer PLC ("TWSSI").

The super senior facility is a key part of the short-term liquidity of TWUL Group and therefore consents and waivers were obtained to allow there to be drawdowns whilst the outcome of the appeal of the court case remains uncertain. In April 2025, TWSSI completed the first drawdown of £350 million (net proceeds received by TWUL £326,497,809). In May 2025 TWSSI completed the second drawdown of £365 million (net proceeds received by TWUL £308,266,635). A creditor consent was granted on 14 July 2025 which permitted £157 million of additional drawdowns by TWSSI of which £31 million will be available to TWUL in July 2025 and £126 million in August 2025, along with an extension of the end date to 31 July 2025 for permitted drawdowns by TWUL under its intercompany loan from TWSSI (with an exception granted for the August 2025 drawdown).

A backstop agreement was put in place by TWUL under which creditors committed to participate in the £1.5 billion super senior facility. Backstop fees of up to 3.5% of the amount committed were payable to creditors to be netted from the proceeds. The conditions precedent for drawing have not been met and only £715 million has been drawn down. As a result of the creditor consent which became effective on 14 July 2025, the balance of the backstop fees of £27 million have become payable to be netted from the July 2025 drawdown proceeds, despite a portion of the £1.5 billion facility remaining undrawn.

Notes to the financial statements (continued)

18. Post balance sheet events (continued)

As part of the agreement to enable draw down on the facility before the conditions precedent were met, Turnover Fees were agreed to be paid to creditors if an appeal process is pursued. These fees are designed to compensate creditors if the court-sanctioned restructuring plan is overturned. On 15 April 2025, TWUL deposited £32.0 million into an escrow account, a proportion of which are due from the Company (although TWUL will reimburse the Company 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 pursued in court.

The Company expects to settle 1.5% of the amount owed under consent fee derivatives during July 2025, earlier than the date when they are due. The Company is continuing to pursue its plans for an equity raise as part of the second stage of its turnaround. KKR was announced as the preferred bidder in April 2025, however pulled out of negotiations in early June 2025. TWUL Group continue to seek a creditor led solution.

In May 2025 Ofwat announced that TWUL would be fined £122.7 million. £104.5 million of the fine relates to penalties for sewage leaks and £18.2 million relates to penalties for a breach of dividend rules. Under the creditor consent which became effective on 14 July 2025, if TWUL were to pay these penalties without a creditor consent, TWUL must repay its intercompany loan from TWSSI, and all drawdowns under TWSSI's £1.5 billion facility would become due to be repaid to creditors.

On 18 July 2025, TWUL announced that Ofwat had agreed a further 3 month deferral until 22 October 2025 to its referral of the Final Determination for AMP8 to the CMA for a re-determination. Ofwat had agreed on 18 March 2025 to defer making the CMA reference for a period of up to 18 weeks until 21 July 2025, while ongoing conversations seek a market-led solution to recapitalisation, without the need for a CMA reference.