

Thames Water Utilities Finance Limited

**Interim report and financial
statements for the six month period
ended 30 September 2008**



Registered no: 02403744 (England and Wales)

Thames Water Utilities Finance Limited

Interim report and financial statements

For the six month period ended 30 September 2008

Thames Water Utilities Finance Limited

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Thames Water Utilities Finance Limited

Directors' report for the six month period ended 30 September 2008

Review of business, principal activities and future developments

The Company was established to make certain financing arrangements on behalf of Thames Water Utilities Limited. The results of Thames Water Utilities Limited are also available on the Thames Water website.

Following the acquisition of Thames Water Holdings Limited, by Kemble Water Limited, the whole business securitisation of Thames Water Utilities Holdings Limited and Thames Water Utilities Limited, including its wholly owned subsidiaries, was completed in August 2007. Following the securitisation the Company is not expected to be used for raising new finance for Thames Water Utilities Limited.

The directors of the Company manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company.

Financial results

Turnover is consistent for the half year compared to the full year audited accounts and prior year half year results. Any financing costs arising from raising funds on behalf of Thames Water Utilities Limited are recharged.

Principal risks and uncertainties

Thames Water Utilities Finance Limited no longer issues any new debt and is therefore not directly affected by the current financial crisis impacting the cost of debt.

Thames Water Utilities Finance Limited was the financing subsidiary of Thames Water Utilities Limited and accordingly all financing transactions and obligations were passed to Thames Water Utilities by way of an inter company loan. As such RPI risk attached to debt already raised within Thames Water Utilities Finance Limited has been transferred to Thames Water Utilities Limited. Risk management relating to the financing obligations of Thames Water Utilities Limited are managed as part of the overall financial risk management strategy of the securitisation group.

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. These are discussed in the Group's annual report, which does not form part of this report.

Directors

The directors who held office during the period and to the date of signing are given below:

A Beaumont
R Bloor (resigned 30 September 2008)
S Ledger (appointed 30 September 2008)

A Beaumont
Director

Thames Water Utilities Finance Limited

Responsibility statement of the directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with the Statement *Half-yearly financial reports* issued by the UK Accounting Standards Board; and
- The interim management report includes a fair review of the information required by [DTR 4.2.7R](#) of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year.

Changes to the directors' appointments following publication of the Annual report and financial statements for the year ended 31 March 2008 are shown on page 2.

The above statement of Directors' responsibilities was approved on 26th November 2008.

By order of the Board

Thames Water Utilities Finance Limited

Auditors' independent review report for the six month period ended 30 September 2008

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly report for the six months ended 30 September 2008 which comprises the condensed profit and loss account and the condensed balance sheet and the related explanatory notes. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the directors.

The annual financial statements of the company are prepared in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). The condensed set of financial statements included in this half-yearly report has been prepared in accordance with the recognition and measurement requirements of UK Generally Accepted Accounting Practice.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 30 September 2008 is not prepared, in all material respects, in accordance with the recognition and measurement requirements of UK Generally Accepted Accounting Practice.

KPMG Audit Plc
Chartered Accountants
8 Salisbury Square
London
26 November 2008

Thames Water Utilities Finance Limited

Condensed Profit and loss account for the six month period ended 30 September 2008

	Note	Six months to 30 September 2008 (unaudited) £'000	Six months to 30 September 2007 (unaudited) £'000	Year to 31 March 2008 (audited) £'000
Turnover		83,194	83,272	165,818
Interest payable and similar charges	2	<u>(83,166)</u>	<u>(83,260)</u>	<u>(165,834)</u>
Profit/(loss) on ordinary activities before taxation		28	12	(16)
Taxation charge on profit/(loss) on ordinary activities	3	<u>(8)</u>	<u>(10)</u>	<u>(2)</u>
Retained profit/(loss) for the period		<u>20</u>	2	(18)

All amounts above relate to continuing operations.

The Company has no recognised gains or losses other than the profit/(loss) above therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the results for the periods stated above and their historical cost equivalents.

Thames Water Utilities Finance Limited

Condensed Balance sheet at 30 September 2008

	Note	30 September 2008 (unaudited) £'000	30 September 2007 (unaudited) £'000	31 March 2008 (audited) £'000
Current assets				
Debtors: amounts falling due within one year		97,786	46,955	52,685
Debtors: amounts falling due after more than one year		2,876,684	2,893,320	2,899,590
Total debtors	4	2,974,470	2,940,275	2,952,275
Cash at bank and in hand		-	17	-
		2,974,470	2,940,292	2,952,275
Creditors: amounts falling due within one year	5	(97,763)	(46,949)	(52,682)
Net current assets		2,876,707	2,893,343	2,899,593
Creditors: amounts falling due after more than one year	6	(2,876,634)	(2,893,270)	(2,899,540)
Net assets		73	73	53
Capital and reserves				
Called up share capital		50	50	50
Profit and loss account	7	23	23	3
Shareholder's funds	8	73	73	53

The financial statements were approved by the Board of Directors on 26 November 2008 and signed on its behalf by:

Andrew Beaumont

Thames Water Utilities Finance Limited

Notes to the financial statements for the six month period ended 30 September 2008

1. Basis of preparation

These condensed interim financial statements ("the financial statements") for the period ended 30 September 2008 have been prepared in accordance with the historic cost convention and on the basis of the accounting policies consistent with those set out in the annual report and financial statements for the year ended 31 March 2008.

The financial statements do not include all the information required for full annual financial statements, do not comprise statutory accounts within the meaning of section 240 of the Companies Act 1985, and should be read in conjunction with the annual report and financial statements for the year ended 31 March 2008. The financial statements have been prepared in accordance with the Accounting Standards Board's statement "Half-Yearly Financial Reports", and the requirements of the Disclosure and Transparency Rules issued by the Financial Services Authority. These financial statements have been reviewed by KPMG Audit Plc.

The statutory accounts for the year ended 31 March 2008 have been delivered to the Registrar of Companies. The auditors' report on these accounts was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under s 237(2) or (3) of the Companies Act 1985.

These interim statements were approved by the Board of Directors on 26 November 2008.

2. Interest payable and similar charges

	Six months to 30 September 2008 (unaudited)	Six months to 30 September 2007 (unaudited)	Year to 31 March 2008 (audited)
	£'000	£'000	£'000
Interest payable on other loans	83,166	83,260	165,834

3. Taxation

The corporation tax charge is based upon UK corporation tax of 28% (half year to 30 September 2007 and year to 31 March 2008 30%).

The interim corporation tax charge for the half year to 30 September 2008 is based upon the forecast effective tax rate for the full year to 31 March 2009 applied to the profits earned in the six months to September 2008.

Thames Water Utilities Finance Limited

Notes to the financial statements for the six month period ended 30 September 2008

4. Debtors

Included in debtors is an amount of £2,974.5m (half year to 30 September 2007: £2,940.3m) comprising principal and interest with regards to a loan to the Company's immediate parent company, Thames Water Utilities Limited, of which £2,876.7m (half year to 30 September 2007: £2,893.3m) is falling due after more than one year.

5. Creditors: amounts falling due within one year

	Six months to 30 September 2008 (unaudited) £'000	Six months to 30 September 2007 (unaudited) £'000	Year to 31 March 2008 (audited) £'000
Amounts due to immediate parent undertaking	6	-	6
Interest payable	46,962	46,949	52,676
Guaranteed Bonds	50,787	-	-
Group Relief	8	-	-
	97,763	46,949	52,682

6. Creditors: amounts falling due after more than one year

	Six months to 30 September 2008 (unaudited) £'000	Six months to 30 September 2007 (unaudited) £'000	Year to 31 March 2008 (audited) £'000
Guaranteed Bonds	2,876,574	2,893,210	2,899,480
Other creditors	60	60	60
	2,876,634	2,893,270	2,899,540

The Company has in issue £2,927.4m (2007: £2,893.2m) of Guaranteed Bonds due between 2009 and 2055 (2007: due between 2008 and 2055). The net proceeds were loaned to Thames Water Utilities Limited under the same interest terms for all loans except for the £225.0m 6.60% Guaranteed bond due 2021 which includes a margin of 1 basis point. Net proceeds of £2,927.4m (2007: £2,893.2m) are included in amounts owed by the immediate parent company in respect of these loans. Thames Water Utilities Limited has guaranteed the principal and interest payments due under the terms of the Guaranteed Bonds.

Thames Water Utilities Finance Limited

Notes to the financial statements for the six month period ended 30 September 2008

7. Profit and loss account

	Six months to 30 September 2008 (unaudited)
	£'000
Profit and loss account at the beginning of the year	3
Profit for the period	20
Profit and loss account at the end of the period	23

8. Reconciliation of movements in shareholder's funds

	Six months to 30 September 2008 (unaudited)	Six months to 30 September 2007 (unaudited)	Year to 31 March 2008 (audited)
	£'000	£'000	£'000
Shareholder's funds at the beginning of the year	53	71	71
Profit / (loss) for the period/year	20	2	(18)
Shareholder's funds at the end of the period	73	73	53

9. Related party transactions

The company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS 8 'Related party disclosures', which requires the disclosure of the details of material transactions between the reporting entity and any related parties within the Kemble Water Holdings Limited Group, on the grounds that it is a wholly owned subsidiary of Kemble Water Holdings Limited, a company registered in the United Kingdom.

Although the company has provided details of certain related party transactions in notes 4 and 6, the company has not applied the requirements of DTR 4.2.8R regarding related party transactions on the grounds that the company has listed debt and not listed equity.

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