

Registered no: 02403744 (England and Wales)

Thames Water Utilities Finance Limited

Interim report and financial statements

For the six month period ended 30 September 2009

Thames Water Utilities Finance Limited

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Thames Water Utilities Finance Limited

Directors' report for the six month period ended 30 September 2009

Review of business, principal activities and future developments

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

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 with the directors' expectations for the half year. 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 recent 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
S Ledger



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.

The board of directors has remained unchanged following publication of the Annual report and financial statements for the year ended 31 March 2009.

The above statement of Directors' responsibilities was approved on 27th November 2009.

By order of the Board



A Beaumont
Director

Thames Water Utilities Finance Limited

Independent review report for the six month period ended 30 September 2009 to Thames Water Utilities Finance Limited

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2009 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 financial 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 to assist the company in meeting the requirements of the Disclosure and Transparency Rule ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). 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 financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

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 financial report has been prepared in accordance with the Statement Half-yearly financial reports as issued by the UK Accounting Standards Board.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial 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 financial report for the six months ended 30 September 2009 is not prepared, in all material respects, in accordance with Statement Half-yearly financial reports as issued by the UK Accounting Standards Board.



Paul Johnson
For and on behalf of KPMG Audit Plc
Chartered Accountants
London
27 November 2009

Thames Water Utilities Finance Limited

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

	Note	Six months to 30 September 2009 (unaudited) £'000	Six months to 30 September 2008 (unaudited) £'000	Year to 31 March 2009 (audited) £'000
Turnover		66,125	83,194	165,889
Interest payable and similar charges	2	<u>(66,111)</u>	<u>(83,166)</u>	<u>(165,830)</u>
Profit on ordinary activities before taxation		14	28	59
Taxation on profit on ordinary activities	3	<u>(4)</u>	<u>(8)</u>	<u>(16)</u>
Profit for the period		<u>10</u>	<u>20</u>	<u>43</u>

All amounts above relate to continuing operations.

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

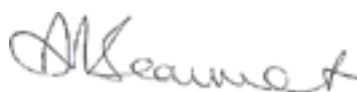
There is no difference between the profit on ordinary activities before taxation for the periods as stated above and their historical cost equivalents.

Thames Water Utilities Finance Limited

Condensed Balance sheet at 30 September

	Note	30 September 2009 (unaudited) £'000	30 September 2008 (unaudited) £'000	31 March 2009 (audited) £'000
Current assets				
Debtors:				
Amounts falling due within one year		296,597	97,786	123,260
Amounts falling due after more than one year		2,633,579	2,876,684	2,886,180
Total debtors	4	2,930,176	2,974,470	3,009,440
		2,930,176	2,974,470	3,009,440
Creditors: amounts falling due within one year	5	(296,541)	(97,763)	(123,176)
Net current assets		2,633,635	2,876,707	2,886,264
Creditors: amounts falling due after more than one year	6	(2,633,529)	(2,876,634)	(2,886,168)
Net assets		106	73	96
Capital and reserves				
Called up share capital		50	50	50
Profit and loss account	7	56	23	46
Shareholder's funds	8	106	73	96

The interim financial statements were approved by the Board of Directors on 27th November 2009 and signed on its behalf by:



Andrew Beaumont
Director

Thames Water Utilities Finance Limited

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

1. Basis of preparation

These condensed interim financial statements ("the financial statements") for the period ended 30 September 2009 have been prepared in accordance with the historical cost convention and on the basis of the accounting policies consistent with those set out in the Company's Annual report and financial statements for the year ended 31 March 2009.

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 2009. 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 other than as described in note 9. These financial statements have been reviewed by KPMG Audit Plc.

The statutory accounts for the year ended 31 March 2009 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.

2. Interest payable and similar charges

	Six months to 30 September 2009 (unaudited)	Six months to 30 September 2008 (unaudited)	Year to 31 March 2009 (audited)
	£'000	£'000	£'000
Interest payable on other loans	66,111	83,166	165,830

3. Taxation

The corporation tax charge is based upon UK corporation tax of 28% (half year to 30 September 2008 and full year to 31 March 2009 28%).

The interim corporation tax charge for the half year to 30 September 2009 is based upon the forecast effective tax rate for the full year to 31 March 2010 applied to the profits earned in the six months to September 2009.

Thames Water Utilities Finance Limited

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

4. Debtors

Included in debtors is an amount of £2,930.2m (half year to 30 September 2008: £2,974.5m) comprising principal and interest with regards to a loan to the Company's immediate parent company, Thames Water Utilities Limited, of which £2,633.6m (half year to 30 September 2008: £2,876.7m) is falling due after more than one year.

5. Creditors: amounts falling due within one year

	Six months to 30 September 2009 (unaudited) £'000	Six months to 30 September 2008 (unaudited) £'000	Year to 31 March 2009 (audited) £'000
Amounts due to immediate parent undertaking	21	6	6
Interest payable	46,538	46,962	53,032
Guaranteed Bonds	249,982	50,787	70,126
Group Relief	-	8	12
	296,541	97,763	123,176

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

	Six months to 30 September 2009 (unaudited) £'000	Six months to 30 September 2008 (unaudited) £'000	Year to 31 March 2009 (audited) £'000
Guaranteed Bonds	2,633,469	2,876,574	2,886,108
Other creditors	60	60	60
	2,633,529	2,876,634	2,886,168

The Company has in issue £2,883.4m (2008: £2,927.4m) of Guaranteed Bonds due between 2009 and 2055 (2008: due between 2009 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 £2,883.4m (2008: £2,927.4m) 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

7. Profit and loss account

	Six months to 30 September 2009 (unaudited)
	£'000
Profit and loss account at the beginning of the year	46
Profit for the period	<u>10</u>
Profit and loss account at the end of the period	<u>56</u>

8. Reconciliation of movements in shareholder's funds

	Six months to 30 September 2009 (unaudited)	Six months to 30 September 2008 (unaudited)	Year to 31 March 2009 (audited)
	£'000	£'000	£'000
Shareholder's funds at the beginning of the year	96	53	53
Profit for the period/year	10	20	43
Shareholder's funds at the end of the period	<u>106</u>	<u>73</u>	<u>96</u>

9. Related party transactions

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.