

Registered no: MC-187772 (Cayman Islands)

Thames Water Utilities Cayman Finance Limited

Annual report and voluntary financial statements

For the year ended 31 March 2011

Thames Water Utilities Cayman Finance Limited

Annual report and voluntary financial statements for the year ended 31 March

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Thames Water Utilities Cayman Finance Limited

Directors and advisors

Directors

A Beaumont
S Ledger

Registered auditor

KPMG Audit Plc
Chartered Accountants
15 Canada Square
London
E14 5GL

Registered office

M&C Corporate Services Limited
PO Box 309GT
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands

Thames Water Utilities Cayman Finance Limited

Directors' report

The directors present their report and the audited voluntary financial statements of Thames Water Utilities Cayman Finance Limited ("the Company") for the year ended 31 March 2011.

The Company is registered in the Cayman Islands and its operations are conducted entirely within the UK. The purpose of these voluntary financial statements is to enable the Company to comply with its obligations in respect of the whole business securitisation. Accordingly, the voluntary financial statements have been prepared on the going concern basis, under the historical cost convention, as if UK GAAP and UK Companies legislation were applicable.

Review of business, principal activities and future developments

The Company was established to make certain financing arrangements on behalf of Thames Water Utilities Limited ("TWUL"). The ultimate parent undertaking is Kemble Water Holdings Limited ("the Group"). The results of Thames Water Utilities Limited are available on the Thames Water website.

The registered company number is MC-187772 (Cayman Islands)

The major transactions of the Company were the raising of finance and subsequent lending of the debt to Thames Water Utilities Limited on the same terms and conditions except interest, where a margin is charged on the issued bonds. This is expected to continue for the foreseeable future.

The Group is managed 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.

Results and dividends

The profit and loss account for the period is set out on page 7. The directors do not recommend the payment of a dividend (2010: £Nil).

Directors' indemnity provisions

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 remain in force at the date of this report.

Principal risks and uncertainties

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. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are discussed in the Group's annual report which does not form part of this report.

Thames Water Utilities Cayman Finance Limited

Directors' report (continued)

Directors

The directors who held office during the year ended 31 March 2011 and up to the date of signing were:

A Beaumont
S Ledger

During the year under review, none of the directors had any contracts with the company or any other body corporate other than their contracts and service.

Political and charitable donation and expenditure

No charitable or political donations were made by the company during the year (2010: £Nil).

Financial risk management

The Company has access to the Group Executive Management Team, which receives regular reports from all areas of the business to enable prompt identification of financial and other risks so that appropriate actions can be taken.

The Company's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, price risk and liquidity risk.

The operation of the Treasury function is governed by specific policies and procedures that set out specific guidelines for the management of interest rate risk and foreign exchange risk and the use of financial instruments. Treasury policy and procedures are incorporated within the financial control procedures of the Company, see note 11 for further details.

The Company is a financing subsidiary of TWUL. Its principal activity is to ensure availability of funds in the capital markets on an opportunistic basis at the most competitive pricing and to on-lend the proceeds to TWUL. The Company does not retain any assets or liabilities on its balance sheet that are not on-lent to TWUL.

The Company is part of the securitisation group of companies. It does not have any financial covenants calculated on its financial statements but inter-company proceeds on-lent are included in gearing (net debt as a percentage of regulated asset value) and interest cover. Further details of these covenants are shown in the TWUL financial statements available from the address shown in note 15.


Disclosure of information to the auditor

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

By order of the Board



A Beaumont

Director

10 June 2011

Thames Water Utilities Cayman Finance Limited

Performance Review

Financial needs and resources

The Company issued £1,829.2m of new debt in the period. This comprises £979.2m of Class A bonds and £850m of Class B bonds.

Profit for the financial year

The Company made a profit on ordinary activities after taxation of £6,576,000 (2010: loss of £46,790,000)

Liquidity

The Company's objective is to maintain flexibility, diversification and continuity of funding through access to different markets and debt instruments. At the year end the Company had undrawn committed facilities of £750m (2010 £750m). These facilities are maintained to ensure liquidity and the continuation of the TWUL capital investment programme. In addition the Company has access to £425m (2010 £355m) of 'liquidity facilities' - £320m (2010 £250m) to finance TWUL's debt service costs and £105m (2010 £105m) to finance TWUL's operating and maintenance costs. These facilities address the risk of TWUL being in default of its debt service obligations and having insufficient liquidity.

Future outlook

The Company continues to monitor debt markets and will consider raising additional funding to fulfil the requirements of TWUL.

Thames Water Utilities Cayman Finance Limited

Statement of directors' responsibilities

The directors of Thames Water Utilities Cayman Finance Limited ('the directors') have accepted responsibility for the preparation of these non-statutory accounts for the year ended 31 March 2011 which are intended by them to give a true and fair view of the state of affairs of the company and of the profit or loss for that period. They have decided to prepare the non-statutory accounts in accordance with UK Accounting Standards (UK Generally Accepted Accounting Practice) and as if applicable UK law applied to them.

In preparing these non-statutory accounts, the directors have:

- Selected suitable accounting policies and then apply them consistently:
- Made judgements and estimates that are reasonable and prudent:
- Stated whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the non-statutory accounts:
- Prepared the non-statutory accounts on the going concern basis as they believe that the Company will continue in business.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



Report of KPMG Audit Plc to Thames Water Utilities Cayman Finance Limited

We have audited the non-statutory accounts of Thames Water Utilities Cayman Finance Limited for the year ended 31 March 2011 set out on pages 7 to 19. These non-statutory accounts have been prepared for the reasons set out in note 1 to the non-statutory accounts and on the basis of the financial reporting framework of UK Accounting Standards (UK Generally Accepted Accounting Practice) and as if applicable UK law applied to them.

Our report has been prepared for the Company solely in connection with the terms of our engagement. It has been released to the Company on the basis that our report shall not be copied, referred to or disclosed, in whole (save for the Company's own internal purposes) or in part, without our prior written consent.

Our report was designed to meet the agreed requirements of the Company determined by the Company's needs at the time. Our report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company for any purpose or in any context. Any party other than the Company who obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG Audit Plc will accept no responsibility or liability in respect of our report to any other party.

Respective responsibilities of directors and KPMG Audit Plc

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the non-statutory accounts, which are intended by them to give a true and fair view. Our responsibility is to audit, and express an opinion on, the non-statutory accounts in accordance with the terms of our engagement letter dated 11 April 2011 and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditor's.

Scope of the audit of the non-statutory accounts

An audit involves obtaining evidence about the amounts and disclosures in the non-statutory accounts sufficient to give reasonable assurance that the non-statutory accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the non-statutory accounts.

Opinion on non-statutory accounts

In our opinion the non-statutory accounts:

- give a true and fair view of the state of the Company's affairs as at 31 March 2011 and of its profit for the year then ended; and
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006, as if those requirements were to apply.

W Meredith
for and on behalf of KPMG Audit Plc
Chartered Accountants

15 Canada Square
London
E14 5GL
United Kingdom

10 June 2011

Thames Water Utilities Cayman Finance Limited

Profit and loss account for the year ended 31 March

	Note	31 March 2011 £'000	31 March 2010 £'000
Turnover	2	187,693	83,328
Interest payable and similar charges	3	(185,149)	(80,297)
Profit/(loss) on external financial instruments at fair value through profit and loss	11	8,250	(68,016)
Profit/(loss) on ordinary activities before taxation		10,794	(64,985)
Tax on profit/(loss) on ordinary activities	5	(4,218)	18,195
Profit/(loss) for the financial period	14	6,576	(46,790)

All amounts relate to continuing operations.

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

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

The notes from pages 9 to 19 form part of these financial statements.

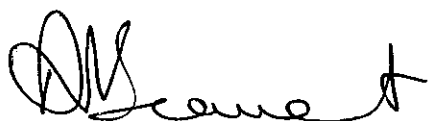
Thames Water Utilities Cayman Finance Limited

Balance sheet as at 31 March

	Note	31 March 2011 £'000	31 March 2010 £'000
Current assets			
Debtors: amounts falling due within one year	7	104,580	59,749
Debtors: amounts falling due after more than one year	8	4,001,469	2,139,919
		4,106,049	2,199,668
Creditors: amounts falling due in less than one year			
	9	(84,367)	(37,862)
Net current assets		4,021,682	2,161,806
Creditors: amounts falling due after more than one year			
	10	(4,061,235)	(2,207,935)
Net liabilities		(39,553)	(46,129)
Capital and reserves			
Called-up share capital	12	-	-
Profit and loss account	13	(39,553)	(46,129)
Shareholder's deficit	14	(39,553)	(46,129)

The notes on pages 9 to 19 form part of these voluntary financial statements.

The voluntary financial statements on pages 7 to 19 were approved by the Board of Directors on 10 June 2011 and signed on its behalf by:



A Beaumont
Director

Company registration number MC-187772

Thames Water Utilities Cayman Finance Limited

Notes to the voluntary financial statements for the year ended 31 March

1 Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which the Group considered material in relation to the voluntary financial statements, except as noted below.

Basis of preparation

The Company is registered in the Cayman Islands and its operations are conducted entirely within the UK. The purpose of these voluntary financial statements is to enable the Company to comply with its obligations in respect of the whole business securitisation. Accordingly, the voluntary financial statements have been prepared on the going concern basis, under the historical cost convention, in accordance with UK GAAP and as if UK Companies legislation was applicable.

Going concern

The directors have adopted the going concern basis in preparing these voluntary financial statements having given due consideration to the net liabilities of the Company and the requirement for ongoing support from Thames Water Utilities Limited. This is based upon a review of Thames Water Utilities Limited budget, business plan and investment programme, together with the cash and committed borrowing facilities available. The Board also took into account potential contingent liabilities and other risk factors. The immediate parent company has confirmed that it will continue to provide support to Thames Water Utilities Cayman Finance Limited to enable it to meet its liabilities for a period of at least twelve months from the date of signing these financial statements.

Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the voluntary financial statements, which have been applied consistently are set out below.

(a) Turnover

Turnover represents the recharge to Thames Water Utilities Limited of costs and interest incurred in respect of the raising of finance on that company's behalf. All costs of loans and interest are directly recharged, except for the secured bonds where interest is recharged at an additional margin. See note 10 below.

(b) Related party disclosures

As the Company is a wholly owned subsidiary of Thames Water Utilities Cayman Finance Holdings Limited, and voluntarily prepares accounts under UK GAAP, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Group (or investees of the group qualifying as related parties). The consolidated voluntary financial statements of Kemble Water Finance Limited, within which this Company is included, can be obtained from the address in note 15.

(c) Cash flow

As the Company voluntarily prepares accounts under UK GAAP, it is exempt under FRS1 from the requirement to prepare a cashflow statement on the grounds that a parent undertaking includes the Company in its own published consolidated voluntary financial statements.

Thames Water Utilities Cayman Finance Limited

Notes to the voluntary financial statements for the year ended 31 March (continued)

1 Principal accounting policies (continued)

(d) Financial instruments

Financial Reporting Standard 25 requires presentation of the Company's Funding and Treasury Policy together with further details on its financial assets and liabilities.

The Company has applied FRS 26 'Financial Instruments: Recognition and Measurement', and FRS 29 'Financial Instruments: Disclosures' in these voluntary financial statements, as the Company holds listed debt.

The Company's debt arises from secured bonds. These are recorded at the proceeds received, which represent the fair value, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an amortised cost basis to the profit and loss using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Derivatives are initially recognised and subsequently re-measured at fair value. However, within the Company, hedge accounting is not applied and therefore the movements in the fair value of these derivatives are included in the profit and loss account within interest payable.

The Company has a "back to back" arrangement with Thames Water Utilities Limited whereby all borrowings and derivatives are replicated through intercompany loans. Thames Water Utilities Limited provides funds for the Company to repay its external debt.

(e) Taxation

The tax expense represents the sum of current tax and deferred tax.

Current taxation

Current tax, including UK corporation tax and foreign tax, is based on the taxable profit for the period and is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

Taxable profit can differ from the net profit as reported in the profit and loss account because it may exclude items of income or expense that are taxable or deductible in other periods and it may further exclude items that are never taxable or deductible.

Consideration receivable or payable in respect of losses surrendered or claimed by way of group relief is dealt with in the profit and loss account.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Thames Water Utilities Cayman Finance Limited is registered in the UK for tax purposes.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred taxation is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted by the balance sheet date.

Thames Water Utilities Cayman Finance Limited

Notes to the voluntary financial statements for the year ended 31 March (continued)

1 Principal accounting policies (continued)

(e) Taxation (continued)

Deferred taxation is measured on a non-discounted basis. Deferred tax is charged or credited in the profit and loss account except when it relates to items charged or credited to equity, in which case the deferred tax is also dealt with via the Statement of total recognised gains and losses.

(f) Foreign currency

The voluntary financial statements are presented in Sterling, which is the functional currency of the majority of the Group and is therefore also the presentational currency of the Group. Transactions in foreign currencies are recorded at the exchange rates ruling on the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated into sterling at the relevant rates of exchange ruling on the balance sheet date. Gains and losses arising on retranslation are included in the profit and loss account for the year.

(g) Financial risk management

The Company is not exposed to any significant currency or interest rate risk as the Company's financial assets match the liabilities of the Company, so that no net exposure to interest or exchange rates exists. The objective of treasury operations is to ensure the availability of a timely flow of funds at a cost that reflects the credit standing of the Company. The financing arrangements of the Company, and interaction with the wider Group, are further described in note 11 (pages 14 to 18) of these voluntary financial statements.

The Company's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, price risk and liquidity risk.

The Group's Treasury operations are managed centrally by a small specialist team, which operates with delegated authority of, and under policies approved by, the Board of Directors. Therefore, risks are managed on a group wide basis.

The operation of the Treasury function is governed by specific policies and procedures that set out specific guidelines for the management of interest rate risk and foreign exchange risk and the use of financial instruments. Treasury policy and procedures are incorporated within the financial control procedures of the Group.

2 Turnover

The Company's turnover and result arise solely in the United Kingdom and are attributable to the one principal activity of the Company being the raising of finance and subsequent lending of the debt to Thames Water Utilities Limited

3 Interest payable and similar charges

	31 March 2011 £'000	31 March 2010 £'000
Interest payable on other loans	126,660	68,431
Interest expense: RPI indexation	58,489	11,866
	185,149	80,297

4 Directors emoluments

No director received any remuneration in respect of their services to the Company (2010: £Nil).

Thames Water Utilities Cayman Finance Limited

Notes to the voluntary financial statements for the year ended 31 March (continued)

5 Taxation on profit on ordinary activities

	31 March 2011 £'000	31 March 2010 £'000
Current tax:		
Amounts payable in respect of group relief	712	850
Deferred tax:		
Origination and reversal of timing differences (note 7)	2,310	(19,045)
Impact of tax rate change (note 7)	1,196	-
Tax on profit/(loss) on ordinary activities	4,218	(18,195)

The current tax assessed for the period is lower (2010: lower) than the standard rate of corporation tax in the United Kingdom of 28% (2010: 28%). The differences are explained below:

	31 March 2011 £'000	31 March 2010 £'000
Profit/(loss) on ordinary activities before tax	10,794	(64,985)
Profit/ (loss) on ordinary activities at corporation tax of 28% (2010: 28%)	3,022	(18,195)
Effects of:		
Non-taxable income/disallowable costs (fair value profit/(loss) on financial instruments)	(2,310)	19,045
Current tax charge for year	712	850

Factors affecting the future tax rate

On 23 March 2011 the Chancellor announced the reduction in the main rate of UK corporation tax to 26% with effect from 1 April 2011. This change became substantively enacted on 29 March 2011 and therefore the effect of the rate reduction creates a reduction in the deferred tax asset which has been included in the figures above.

6 Auditor's remuneration

The auditor's remuneration of £12,000 (2010: £11,500) was borne by Thames Water Limited (2010: borne by Thames Water Limited). No other fees were payable to KPMG Audit Plc in respect of this year 2010: £nil).

7 Debtors: amounts falling due within one year

	31 March 2011 £'000	31 March 2010 £'000
Deferred tax asset	15,539	19,045
Amounts owed by parent undertaking - interest	83,029	40,704
Interest receivable - external	6,012	-
	104,580	59,749

There are no amounts past their due by dates. As these assets relate to intercompany debt owed by a regulated water company, the risk exposure is deemed immaterial, and no amounts are impaired. All loans and receivables are held at amortised cost.

Thames Water Utilities Cayman Finance Limited

Notes to the voluntary financial statements for the year ended 31 March (continued)

7 Debtors: amounts falling due within one year (continued)

The Deferred tax asset relates to the cumulative fair value loss as detailed below:

	31 March 2011 £'000	31 March 2010 £'000
At the beginning of the year	19,045	-
Amounts provided during the year on fair value	(2,310)	19,045
Impact of tax rate change to 26% (see note below)	(1,196)	
At the end of the year	15,539	19,045

Factors affecting the future tax rate

On 23 March 2011 the Chancellor announced the reduction in the main rate of UK corporation tax to 26 per cent with effect from 1 April 2011. This change became substantively enacted on 29 March 2011 and therefore the effect of the rate reduction creates a reduction in the deferred tax asset which has been included in the figures above.

The Chancellor also proposed changes to further reduce the main rate of corporation tax by one per cent per annum to 23 per cent by 1 April 2014, but these changes have not yet been substantively enacted and therefore are not included in the figures above. The overall effect of the further reductions from 26 per cent to 23 per cent, if these applied to the deferred tax balance at 31 March 2011, would be to further reduce the deferred tax asset by approximately £1,793k.

8 Debtors: amounts falling due after more than one year

	31 March 2011 £'000	31 March 2010 £'000
Amounts owed by parent undertaking - loans	4,001,469	2,139,919

There are no amounts past their due by dates. As these assets relate to intercompany debt owed by a regulated water company, the risk exposure is deemed immaterial and no amounts are impaired. All loans and receivables are held at amortised cost.

9 Creditors: amounts falling due within one year

	31 March 2011 £'000	31 March 2010 £'000
Interest payable	82,866	36,743
Group relief creditor	1,231	986
Inter-company creditor	270	133
	84,367	37,862

Thames Water Utilities Cayman Finance Limited

Notes to the voluntary financial statements for the year ended 31 March (continued)

10 Creditors: amounts falling due after more than one year

	31 March 2011 £'000	31 March 2010 £'000
Other loans	3,993,265	2,147,443
Derivatives	67,970	60,492
	4,061,235	2,207,935

The Company has in issue £3,993,265,000 (Sterling equivalent value) of secured bonds due between 2013 and 2062. The net proceeds were loaned to Thames Water Utilities Limited under the same terms, except for interest rates being charged at a margin of 10 basis points. The amount is included in amounts owed by Thames Water Utilities Limited. Thames Water Utilities Holdings Limited, Thames Water Utilities Limited and Thames Water Utilities Finance Limited have guaranteed the principal and interest payments due under the terms of the bonds.

11 Financial instruments

Financial Reporting Standard 25 requires presentation of the Company's Funding and Treasury Policy together with further details on its financial assets and liabilities.

The Company has also chosen to apply FRS 26 'Financial Instruments: Recognition and Measurement', and FRS 29 'Financial Instruments: Disclosures' as the Company has listed debt.

Funding and Treasury Policy

The Company's funding policy is in accordance with that of its ultimate parent company, Kemble Water Holdings Limited, (see note 15), which is to maintain a broad portfolio of debt, diversified by source and maturity in order to protect profits against risks arising from adverse movements in interest rates and currency exposures.

The Company's debt arises from the issuance of secured bonds.

The Company's treasury operations are managed centrally by a small specialist team, and are managed as a cost centre, not a profit centre; no material open or speculative positions are taken.

Short term debtors and creditors, other than inter company loan; have been excluded from the financial instruments' disclosures.

Interest rate risk

The company has one floating rate instrument. This is a US dollar floating rate note linked to US dollar floating rate LIBOR. The bond is hedged through a cross-currency swap. The risk is associated with movements in US dollar LIBOR which is managed through a cross-currency swap where the company receives exactly what it pays. Therefore a 1% change in the floating rate of the floating rate note will be 100% offset by the equal and opposite profit and loss movement.

Credit risk

Under the terms of the Company's Hedging policy, derivative counterparties have to meet minimum short term credit rating criteria. There is also a mechanism for the counterparty to post collateral or be replaced if the counterparty drops below the minimum short term credit rating threshold.

Thames Water Utilities Cayman Finance Limited

Notes to the voluntary financial statements for the year ended 31 March (continued)

11 Financial instruments (continued)

Foreign exchange risk

The Company has foreign currency exposures resulting from debt raised in currencies other than Sterling. The Company uses a range of instruments to hedge such exposures. All hedges are undertaken for commercial reasons with the objective of minimising the impact of exchange rate fluctuations on net assets and profits. The Company has no material unhedged monetary assets and liabilities denominated in a currency different from the local currency of the Company.

Price Index risk

The company issues Retail Price Index ("RPI") linked bonds and swaps and these instruments are exposed to movements in the RPI index. The company on lends the proceeds of these instruments to Thames Water Utilities Limited ("TWUL"), a regulated water company with RPI linked revenues. Therefore, a 1% movement will have no net effect in the profit and loss account or reserves because it has an asset that 100% offsets the liability.

Capital risk management

The Company is part of a securitisation group of companies. It does not have any financial covenants calculated on its financial statements but inter-company proceeds on-lent are included in gearing (net debt as a percentage of regulated asset value) and interest cover (cashflow cover of interest cost) calculations by TWUL on an annual basis as at 31 March. Further details of these covenants are shown in the TWUL financial statements which are available at the address shown in note 15.

Fair values

	Book value 31 March 2011 £'000	Book value 31 March 2010 £'000	Fair value 31 March 2011 £'000	Fair value 31 March 2010 £'000
Primary financial instruments				
- Financial assets	4,001,469	2,139,919	3,961,135	2,286,820
- Financial liabilities	(3,993,265)	(2,147,443)	(3,893,165)	(2,226,328)
- Derivatives	(67,970)	(60,492)	(67,970)	(60,492)
Total	(59,766)	(68,016)	-	-

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than in a forced or a liquidation sale. The table above sets out a comparison of the book and fair values of the Company's financial instruments. During the year, the Company entered cross currency swaps against bonds issued in the year. The proceeds of the swaps were subsequently on lent to Thames Water Utilities Limited.

Primary financial instruments include bonds that are traded on a public market. Fair values for these have been calculated using the 31 March 2011 quoted prices. Mark-to-market techniques (discounting expected cash flows at prevailing interest and exchange rates) are employed in computing fair values for the remaining fixed rate borrowings and all derivative financial instruments.

The effects of revaluing foreign currency borrowings at closing rates are included in the valuations.

Thames Water Utilities Cayman Finance Limited

Notes to the voluntary financial statements for the year ended 31 March (continued)

11 Financial instruments (continued)

Financial assets

Interest rate risk profile at 31 March

	Total at floating rates		Total at fixed rates		Total book value		Weighted average interest rate		Weighted average period until maturity for which rate is fixed	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 %	2010 %	2011 Years	2010 Years
Other loans										
- £ Sterling	-	-	3,412,543	1,546,558	3,412,543	1,546,558	4.1	4.8	25.7	32.4
- \$ US	96,645	103,945	(96,660)	(103,945)	(15)	-	5.4	2.6	-	4.9
- Other	-	-	588,941	593,361	588,941	593,361	-	5.4	8.3	9.0
Total	96,645	103,945	3,904,824	2,035,974	4,001,469	2,139,919	4.3	5.1	23.2	27.0

Financial liabilities

Interest rate risk profile at 31 March

	Total at floating rates		Total at fixed rates		Total book value		Weighted average interest rate		Weighted average period until maturity for which rate is fixed	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 %	2010 %	2011 Years	2010 Years
Other loans										
- £ Sterling	-	-	3,472,309	1,614,574	3,472,309	1,614,574	4.1	4.8	25.7	32.4
- \$ US	96,645	103,945	(96,660)	(103,945)	(15)	-	5.4	2.6	-	4.9
- Other	-	-	588,941	593,361	588,941	593,361	-	5.4	8.3	9.0
Total	96,645	103,945	3,964,590	2,103,990	4,061,235	2,207,935	4.3	5.1	23.2	27.0

Maturities

	31 March 2011 £'000	31 March 2010 £'000
Other loans (secured) and derivatives		
- Between one and two years	439,151	-
- Between two and five years	99,998	549,580
- After more than five years	3,522,086	1,658,355
Total	4,061,235	2,207,935

Other loans are repayable between 2013 and 2062.

Thames Water Utilities Cayman Finance Limited

Notes to the voluntary financial statements for the year ended 31 March (continued)

11 Financial instruments (continued)

Other loans include:

	31 March 2011 £'000	31 March 2010 £'000
€500m 6.13% due 2013	439,151	449,581
US\$156m due 2015	96,645	108,233
€500m 3.25% due 2016	439,174	-
£400m 7.21% due 2018	398,092	397,963
£550m 5.38% due 2025 (1)	545,291	-
£300m 5.75% due 2030 (2)	295,700	-
JPY 20bn 3.28% due 2038	149,790	143,780
£50m 3.85% due 2040	52,609	49,896
£300m 5.75% due 2041	488,379	-
£50m 1.98% due 2042	54,928	52,335
£55m 2.09% due 2042	58,907	56,011
£40m 1.97% due 2045	40,900	-
£100m 1.85% due 2047	109,852	104,667
£200m 1.82% due 2049	219,700	209,333
£200m 1.77% due 2057	219,692	209,327
£350m 1.76% due 2062	384,455	366,317
Total loans and other borrowings	3,993,265	2,147,443
Less amounts included in creditors falling due within one year	-	-
Total loans and other borrowings falling due after more than one year	3,993,265	2,147,443

Note (1): £550m Class B bond issued on a fixed coupon basis until 21 July 2017, when the bond resets to floating rate interest at LIBOR plus margin.

Note (2): £300m Class B bond issued on a fixed coupon basis until 13 September 2022, when the bond resets to floating rate interest at LIBOR plus margin.

Borrowing covenants

The treasury function monitors compliance against all financial obligations and it is the group's policy to manage the balance sheet so as to ensure operations with covenant restrictions.

Interest rate

The Company has a "back to back" arrangement with Thames Water Utilities Limited whereby all borrowings and derivatives are replicated through intercompany loans. Thames Water Utilities Limited provides funds for the Company to repay its external debt.

Thames Water Utilities Cayman Finance Limited
Notes to the voluntary financial statements for the year ended 31
March (continued)

11 Financial instruments (continued)

Derivatives

	Book value	Fair Value	Fair value movement	Book value	Fair Value	Fair value movement
Liabilities as per balance sheet	2011	2011	2011	2010	2010	2010
	£'000	£'000	£'000	£'000	£'000	£'000
£100m Index linked swap due 2060	(5,939)	(61,193)	(55,254)	(709)	(68,725)	(68,016)
Cross currency Swap US\$156m/£100m due 2015	(3,340)	(3,352)	(12)	8,233	8,233	-
Cross currency Swap €500m/£438m due 2016	1,075	(3,425)	(4,500)	-	-	-
	(8,204)	(67,970)	(59,766)	7,524	60,492	(68,016)

Fair value movement through the profit and loss account

	2011	2010
	£'000	£'000
Fair value at 1 April	(68,016)	0
Movement during the year	8,250	(68,016)
Fair value at 31 March	(59,766)	(68,016)

Borrowing facilities

The Company has a £10 billion (2010: £10 billion) secured bond programme, which provides the Company with access to the capital markets in a range of currencies and maturities.

The company has the following undrawn committed borrowing facilities available at 31 March 2011.

	31 March 2011	31 March 2010
	£'000	£'000
Expiring within 1 year	425,000	355,000
Expiring between 1 and 2 years	750,000	750,000
	1,175,000	1,105,000

The Company has borrowing facilities for the purposes of supporting Thames Water Utilities Limited operations. Facilities comprise a £750m revolving credit facility for working capital and capital expenditure requirements provided by a group of nine banks. £320m of debt service reserve facilities and £405m of operations and maintenance reserve facilities are provided by a group of nine banks. All facilities are withdrawn at 31 March 2011.

Thames Water Utilities Cayman Finance Limited

Notes to the voluntary financial statements for the year ended 31 March (continued)

12 Share capital

31 March
2011
£

Allotted, called-up and fully paid
1 ordinary shares of \$1 each

1

13 Profit and loss account

	31 March 2011 £'000	31 March 2010 £'000
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(Loss)/profit at beginning of the year
Profit/(loss) for the year

(46,129)	661
6,576	(46,790)

Loss at the end of the year

(39,553)	(46,129)
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14 Reconciliation of movements in shareholder's funds

	31 March 2011 £'000	31 March 2010 £'000
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Opening shareholder's (deficit)/funds
Profit/(loss) for the year

(46,129)	661
6,576	(46,790)

Closing shareholder's deficit

(39,553)	(46,129)
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15 Immediate and ultimate parent company and controlling party

The immediate parent undertaking is Thames Water Utilities Cayman Finance Holdings Limited, a company incorporated in the Cayman Islands.

Kemble Water Finance Limited, a company incorporated in the United Kingdom, is the intermediate parent company and the smallest group to consolidate these voluntary financial statements.

The directors consider Kemble Water Holdings Limited, a company incorporated in the United Kingdom, to be the ultimate parent and controlling party and the largest group to consolidate these voluntary financial statements.

Copies of the voluntary financial statements of all of the above companies may be obtained from The Company Secretarial Department, Thames Water Group, Clearwater Court, Vastern Road, Reading, Berkshire, RG1 8DB.