

Registered no: 02366661 (England and Wales)

## **Thames Water Utilities Limited**

Interim Financial Statements

For the 6 month period ended 30 September 2007

# THAMES WATER UTILITIES LIMITED

## INTERIM RESULTS FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2007

### Profit and loss account

	Note	Half year to 30 September 2007 (unaudited)	Half year to 30 September 2006 (unaudited)	Year to 31 March 2007
		£m	£m	£m
Turnover		745.0	713.8	1,431.0
Operating costs	2	<u>(462.1)</u>	<u>(512.1)</u>	<u>(1,003.4)</u>
Operating profit		282.9	201.7	427.6
Profit on sale of fixed assets		9.4	0.2	11.5
Net interest		(92.6)	(72.0)	(170.3)
Other finance income		-	3.4	1.3
<b>Profit on ordinary activities before taxation</b>		<b>199.7</b>	<b>133.3</b>	<b>270.1</b>
Taxation on profit on ordinary activities	3	<u>16.6</u>	<u>(40.0)</u>	<u>(79.6)</u>
<b>Profit for the period</b>		<b>216.3</b>	<b>93.3</b>	<b>190.5</b>
Dividends	4	<u>-</u>	<u>(35.3)</u>	<u>(535.3)</u>
<b>Retained profit/(deficit) for the period</b>		<b><u>216.3</u></b>	<b><u>58.0</u></b>	<b><u>(344.8)</u></b>

All amounts above relate to continuing operations.

### Statement of total recognised gains and losses

	Half year to 30 September 2007 (unaudited)	Half year to 30 September 2006 (unaudited)	Year to 31 March 2007
	£m	£m	£m
Profit for the period	216.3	93.3	190.5
Actuarial gain on pension scheme	6.8	19.1	49.9
Deferred tax relating to actuarial gain	<u>(1.5)</u>	<u>(5.7)</u>	<u>(15.0)</u>
<b>Total recognised gains for the period</b>	<b><u>221.6</u></b>	<b><u>106.7</u></b>	<b><u>225.4</u></b>

# THAMES WATER UTILITIES LIMITED

## INTERIM RESULTS FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2007

### Balance Sheet

	Note	30 September 2007 (unaudited)	30 September 2006 (unaudited)	31 March 2007
		£m	£m	£m
<b>Fixed assets</b>				
Tangible assets	5	6,164.3	5,716.1	5,933.0
Investments		0.1	0.1	0.1
		<b>6,164.4</b>	5,716.2	5,933.1
<b>Current assets</b>				
Stocks		6.2	6.3	6.1
Debtors	6	2,003.8	746.4	444.6
Cash at bank and in hand		90.8	903.2	89.4
Short term deposits		-	-	112.5
		<b>2,100.8</b>	1,655.9	652.6
<b>Creditors: amounts falling due within one year</b>		<b>(1,150.2)</b>	(1,097.9)	(763.5)
<b>Net current assets/(liabilities)</b>		<b>950.6</b>	558.0	(110.9)
<b>Total assets less current liabilities</b>		<b>7,115.0</b>	6,274.2	5,822.2
<b>Creditors: amounts due after more than one year</b>		<b>(4,564.9)</b>	(3,482.7)	(3,416.8)
<b>Provisions for liabilities and charges</b>	7	<b>(844.2)</b>	(901.3)	(916.6)
<b>Deferred income</b>		<b>(169.3)</b>	(165.1)	(168.5)
<b>Pension asset/(liability)</b>		<b>16.4</b>	(17.9)	11.1
<b>Net assets</b>		<b>1,553.0</b>	1,707.2	1,331.4
<b>Capital and reserves</b>				
Called up share capital		1,029.0	1,029.0	1,029.0
Share premium		100.0	100.0	100.0
Profit and loss account	8	424.0	578.2	202.4
<b>Equity shareholder's funds</b>	9	<b>1,553.0</b>	1,707.2	1,331.4

The financial statements were approved by the Board of Directors on 22 November 2007.

# THAMES WATER UTILITIES LIMITED

## INTERIM RESULTS FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2007

### Cash flow statement

	Note	Half year to 30 September 2007 (unaudited) £m	Half year to 30 September 2006 (unaudited) £m	Year to 31 March 2007 £m
Net cash (outflow)/inflow from operating activities	10	(664.7)	437.2	765.0
Returns from investments and servicing of finance		(107.1)	(65.3)	(141.3)
Taxation		(21.8)	(34.4)	(66.7)
Net capital expenditure		(358.8)	(276.9)	(620.6)
Equity dividends paid		-	(35.3)	(535.3)
Management of liquid resources		112.5	-	(112.5)
Cash (outflow)/inflow before financing		(1,039.9)	25.3	(711.4)
Financing	11	1,041.3	865.9	788.8
Increase in cash	11	1.4	891.2	77.4

# THAMES WATER UTILITIES LIMITED

## INTERIM RESULTS FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2007

### Notes to the interim results

#### 1. Basis of preparation

The unaudited interim financial statements for the half year ended 30 September 2007 have been prepared in accordance with the historic cost convention.

Other than the presentation of profit on the sale of fixed assets in the profit and loss account in accordance with Financial Reporting Standard 3, these interim financial statements are consistent with the regulatory historic cost financial statements for the year ended 31 March 2007, which the Company prepares in accordance with Condition F of the Instrument of Appointment by the Secretary of State for the Environment as a water and sewerage undertaker under the Water Industry Act 1991. The effect of departures from applicable UK Accounting Standards, which are necessary to comply with regulatory reporting requirements laid down by the Water Services Regulation Authority ("Ofwat"), are set out in the regulatory financial statements for the year ended 31 March 2007.

The statutory accounts for the 15 months ended 31 March 2007 have been delivered to the Registrar of Companies. The auditors' report on these accounts was unqualified and did not contain a statement under s.237(2) or (3) of the Companies Act 1985.

The regulatory accounts for the year ended 31 March 2007 have been delivered to Ofwat. The auditors' report on these accounts confirmed that they contained the information required to comply with Condition F of the Instrument of Appointment granted by the Secretary of State for the Environment to the Company as a water and sewerage undertaker under the Water Industry Act 1991.

The financial information contained in this announcement does not constitute statutory accounts within the meaning of s.240 of the Companies Act 1985.

These interim statements were approved by the Board of Directors on 22 November 2007.

#### 2. Operating costs

	Half year to 30 September 2007 (unaudited)	Half year to 30 September 2006 (unaudited)	Year to 31 March 2007
	£m	£m	£m
Operating costs before depreciation	295.6	337.7	673.9
Infrastructure renewals charge	53.2	57.9	110.9
Depreciation – Non-infrastructure	113.3	116.5	218.6
	<b>462.1</b>	<b>512.1</b>	<b>1,003.4</b>

#### 3. Taxation

The corporation tax charge is based upon UK corporation tax of 30%.

The interim corporation tax charge for the half year to 30 September 2007 is based upon the effective tax rate for the full year to 31 March 2008 applied to the profits earned in the six months to September 2007.

During the period there was a change in law, reducing the corporation tax rate from 30% to 28% from 1 April 2008. The effect of this one-off change has been to both reduce the deferred tax provision and the tax charge to the profit and loss account by £78.5m resulting in a net tax credit for the period.

# THAMES WATER UTILITIES LIMITED

## INTERIM RESULTS FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2007

### Notes to the interim results

#### 4. Dividends

	Half year to 30 September 2007 (unaudited)	Half year to 30 September 2006 (unaudited)	Year to 31 March 2007
	£m	£m	£m
First interim paid (September 2006 and March 2007: 3.43p) per ordinary share	-	35.3	35.3
Second interim paid (March 2007: 48.59p) per ordinary share	-	-	500.0
	-	35.3	535.3

#### 5. Tangible fixed assets

	Land and buildings £m	Plant and equipment £m	Infrastructure assets £m	Total £m
<b>UK GAAP (FRS 15) historic cost values</b>				
<b>Cost</b>				
At 1 April 2007	2,195.9	3,359.3	3,494.4	9,049.6
Additions	69.6	135.3	273.3	478.2
Disposals	(43.6)	(6.5)	-	(50.1)
Asset written off	-	(6.8)	-	(6.8)
<b>At 30 September 2007</b>	<b>2,221.9</b>	<b>3,481.3</b>	<b>3,767.7</b>	<b>9,470.9</b>
<b>Capital Contributions</b>				
At 1 April 2007	-	-	507.5	507.5
Additions	-	-	19.3	19.3
<b>At 30 September 2007</b>	<b>-</b>	<b>-</b>	<b>526.8</b>	<b>526.8</b>
<b>Depreciation</b>				
At 1 April 2007	550.7	1,485.2	605.8	2,641.7
Provided during the period	18.9	94.4	53.2	166.5
Disposals	(17.8)	(3.5)	-	(21.3)
<b>At 30 September 2007</b>	<b>551.8</b>	<b>1,576.1</b>	<b>659.0</b>	<b>2,786.9</b>
<b>UK GAAP Net Book Value</b>				
<b>At 30 September 2007</b>	<b>1,670.1</b>	<b>1,905.2</b>	<b>2,581.9</b>	<b>6,157.2</b>
At 31 March 2007	1,645.2	1,874.1	2,381.1	5,900.4
<b>RAG3 net infrastructure renewal reclassification</b>				
At 1 April 2007	-	-	32.6	32.6
Infrastructure renewal expenditure in the period	-	-	(78.7)	(78.7)
Infrastructure renewal depreciation charge	-	-	53.2	53.2
<b>At 30 September 2007</b>	<b>-</b>	<b>-</b>	<b>7.1</b>	<b>7.1</b>
<b>Regulatory historic cost net book value</b>				
<b>At 30 September 2007</b>	<b>1,670.1</b>	<b>1,905.2</b>	<b>2,589.0</b>	<b>6,164.3</b>
At 31 March 2007	1,645.2	1,874.1	2,413.7	5,933.0

# THAMES WATER UTILITIES LIMITED

## INTERIM RESULTS FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2007

### Notes to the interim results

#### 5. Tangible fixed assets (continued)

Included in tangible fixed assets is expenditure of £70.0m on the Thames Gateway Water Treatment Plant, a desalination plant in east London, which is being developed on operational land owned by the Company. An appeal was lodged against the plant by the Mayor of London. Following a public inquiry in May/June 2006, the Department of Communities and Local Government and DEFRA granted formal approval for the plant on 16 July 2007. On 20 August 2007, the Mayor of London lodged an application to the High Court to challenge this decision. It is not known when this application will be heard.

#### 6. Debtors

Included in debtors is amount of £1,180.0m (half year to 30 September 2006 - £nil) with regards to a loan to the Company's immediate parent company, Thames Water Utilities Holdings Limited.

#### 7. Provisions for liabilities and charges

	Half year to 30 September 2007 (unaudited)	Half year to 30 September 2006 (unaudited)	Year to 31 March 2007
	£m	£m	£m
Provision for deferred tax	844.2	901.3	916.6

# THAMES WATER UTILITIES LIMITED

## INTERIM RESULTS FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2007

### Notes to the interim results

#### 8. Profit and loss account reserve

	Half year to 30 September 2007 (unaudited)	Half year to 30 September 2006 (unaudited)	Year to 31 March 2007
	£m	£m	£m
Profit and loss account reserve at the beginning of the period (as previously reported)	202.4	512.3	512.3
Restatement – FRS 17	-	(5.5)	-
Profit and loss account reserve at the beginning of the period (restated)	202.4	506.8	512.3
Profit for the period	216.3	93.3	190.5
Dividends	-	(35.3)	(535.3)
Retained profit/(deficit)	216.3	58.0	(344.8)
Actuarial gain on pension scheme	6.8	19.1	49.9
Deferred tax relating to actuarial gain on pension scheme	(1.5)	(5.7)	(15.0)
Profit and loss account reserve at the end of the period including total pension asset/(liability)	424.0	578.2	202.4
Total pension asset/(liability)	16.4	(17.9)	11.1
Profit and loss account reserve at the end of the period excluding total pension asset/(liability)	407.6	596.1	191.3

# THAMES WATER UTILITIES LIMITED

## INTERIM RESULTS FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2007

### Notes to the interim results

#### 9. Reconciliation of movements in shareholder's funds

	Half year to 30 September 2007 (unaudited)	Half year to 30 September 2006 (unaudited)	Year to 31 March 2007
	£m	£m	£m
Profit for the period	216.3	93.3	190.5
Dividends	-	(35.3)	(535.3)
Net movement in shareholder's funds	216.3	58.0	(344.8)
Shareholder's funds at the beginning of the period as previously reported	1,331.4	1,641.3	1,641.3
Restatement – FRS 17	-	(5.5)	-
Shareholder's funds at the beginning of the period as restated	1,331.4	1,635.8	1,641.3
Actuarial gain on pension scheme	6.8	19.1	49.9
Deferred tax relating to actuarial gain on pension scheme	(1.5)	(5.7)	(15.0)
Shareholder's funds at the end of the period including pension asset/(liability)	1,553.0	1,707.2	1,331.4

#### 10. Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

	Half year to 30 September 2007 (unaudited)	Half year to 30 September 2006 (unaudited)	Year to 31 March 2007
	£m	£m	£m
Operating profit	282.9	201.7	427.6
Infrastructure renewals charge	53.2	57.9	110.9
Depreciation – Non-infrastructure	113.3	116.5	218.6
Assets written off	6.8	-	9.0
Difference between pension charge and cash contributions	-	2.8	(2.2)
Decrease in stocks	0.1	0.2	0.4
(Increase)/decrease in debtors and prepaid expenses	(1,562.9)	(304.7)	1.9
Increase in creditors and accrued expenses	447.6	368.3	9.9
Deferred income release	(5.7)	(5.5)	(11.1)
Net cash (outflow)/inflow from operating activities	(664.7)	437.2	765.0

# THAMES WATER UTILITIES LIMITED

## INTERIM RESULTS FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2007

### Notes to the interim results

#### 11. Reconciliation of net debt

	Note	Half year to 30 September 2007 (unaudited)	Half year to 30 September 2006 (unaudited)	Year to 31 March 2007
		£m	£m	£m
Opening net debt		<b>(3,236.1)</b>	(2,613.0)	(2,613.0)
Increase in cash		<b>1.4</b>	891.2	77.4
(Decrease)/increase in short term deposits		<b>(112.5)</b>	-	112.5
Movement on borrowings - Cash		<b>(1,041.3)</b>	(865.9)	(788.8)
- Non-cash		<b>(19.5)</b>	(2.5)	(24.2)
Total	11	<b><u>(4,408.0)</u></b>	<u>(2,590.2)</u>	<u>(3,236.1)</u>

Non-cash changes comprise the carrying value uplift by RPI, of three RPI index-linked bonds. This adjustment is in accordance with FRS 4 'Capital instruments', which requires the carrying value of index-linked instruments to be recalculated at each balance sheet date.

#### 12. Analysis of net debt

	Note	Half year to 30 September 2007 (unaudited)	Half year to 30 September 2006 (unaudited)	Year to 31 March 2007
		£m	£m	£m
Cash at bank and in hand		<b>90.8</b>	903.2	89.4
Short term deposits		<b>-</b>	-	112.5
		<b>90.8</b>	903.2	201.9
Debt due within 1 year		<b>(26.9)</b>	(68.2)	(9.4)
Debt due after 1 year		<b>(4,265.0)</b>	(3,207.7)	(3,213.0)
Finance leases		<b>(206.9)</b>	(217.5)	(215.6)
Total	10	<b><u>(4,408.0)</u></b>	<u>(2,590.2)</u>	<u>(3,236.1)</u>