

# **Yorkshire Water Services Bradford Finance Limited**

**Annual report and financial statements  
for the year ended 31 March 2011**

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# Yorkshire Water Services Bradford Finance Limited

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Registered No: MC-219838

## **Directors**

K I Whiteman  
R Flint  
S D McFarlane  
E M Barber

## **Company secretary**

S D McFarlane

## **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants  
Benson House  
33 Wellington Street  
Leeds  
LS1 4JP

## **Registered office**

Maples & Calder Corporate Services Limited  
PO Box 309  
Ugland House  
Grand Cayman  
Cayman Islands  
KY1-1104

## **Bankers**

National Westminster Bank  
Leeds City Office  
8 Park Row  
LS1 1QS

## Directors' report

The directors present their annual report and audited financial statements for the year ended 31 March 2011.

### Results and dividends

The income statement for the year is set out on page 6. The directors do not recommend the payment of any dividends.

### Principal activity, review of the business and future developments

The principal activity of the company during the year is that of raising finance for use in the business of Yorkshire Water Services Limited ('Yorkshire Water'). On 24 July 2009 the whole business securitisation (WBS) of Yorkshire Water and its subsidiaries was completed, providing a permanent and stable platform for the long term financing of Yorkshire Water Services Limited. The WBS created the YW financing group, which includes Yorkshire Water Services Bradford Finance Limited.

### Principal risks and uncertainties

The directors do not consider there to be any material risks or uncertainties which require disclosure. The principal risks and uncertainties of Yorkshire Water are disclosed in that company's accounts.

### Financial risks

The financial risks facing the company are set out on page 14 in note 10 to the accounts.

### Key performance indicators

Due to the nature of the business, disclosure of the company's key performance indicators is not considered to be necessary.

### Directors

The directors listed below have served the company throughout the year and up to the date of signing of the financial statements:

R Flint  
K I Whiteman  
S D McFarlane  
E M Barber (appointed 2 November 2010)

### Directors' statement as to disclosure of information to auditors

As at the date of this report, as far as each director is aware, there is no relevant audit information of which the company's auditors are unaware and each director has taken such steps as he or she should have taken as a director in order to make him or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

By order of the board



S D McFarlane  
Director  
26 July 2011

## Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these financial statements, the directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). Under company law the 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these financial statements, the directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB); 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 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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board



S D McFarlane  
Director  
26 July 2011

## **Independent auditors' report**

to the directors of Yorkshire Water Services Bradford Finance Limited

We have audited the financial statements of Yorkshire Water Services Bradford Finance Limited for the year ended 31 March 2011 which comprise the income statement, the balance sheet, the statement of changes in equity, the statement of cash flows and the related notes. The financial reporting framework that has been applied in the preparation of these financial statements is International Financial Reporting Standards (IFRSs) as adopted by the European Union.

### **Respective responsibilities of the directors and auditors**

As explained more fully in the statement of directors' responsibilities (set out on page 4) the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the directors for management purposes in accordance with our engagement letter dated 11 April 2011 and for no other purpose. We do not, in giving this opinion, 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 including without limitation under any contractual obligations of the company, save where expressly agreed by our prior consent in writing.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements 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 financial statements.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its result and cash flows for the year then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the European Union.



PricewaterhouseCoopers LLP  
Chartered Accountants  
Leeds  
26 July 2011

**Income Statement**  
for the year ended 31 March 2011

		Year ended 31 March 2011	71 week period ended 31 March 2010
	<i>Note</i>	£	£
<b>Operating profit</b>		-	-
Finance income	5	<b>84,080,731</b>	28,883,545
Finance costs	5	<b>(84,080,731)</b>	(28,883,545)
<b>Profit before income tax</b>		-	-
Income tax expense	6	-	-
<b><i>Profit for the year/period</i></b>		-	-

All activities relate to continuing operations.

The result for the period is equivalent of the comprehensive income.


The notes on pages 9 to 15 are an integral part of these financial statements.

## Balance sheet

as at 31 March 2011

		<b>As at</b>	<b>As at</b>
		<b>31 March 2011</b>	<b>31 March 2010</b>
		<b>£</b>	<b>£</b>
	<i>Note</i>		
<b>Assets</b>			
<b>Non-current assets</b>			
Trade and other receivables	7	<b>1,320,230,320</b>	650,026,946
<b>Current assets</b>			
Trade and other receivables:	7	<b>48,898,657</b>	21,263,769
Cash and cash equivalents		<b>549</b>	-
<b>Total assets</b>		<b>1,369,129,526</b>	671,290,715
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	8	<b>(48,899,205)</b>	(21,263,769)
<b>Non-current liabilities</b>			
Borrowings	9	<b>(1,320,230,320)</b>	(650,026,945)
<b>Total liabilities</b>		<b>(1,369,129,525)</b>	(671,290,714)
<b>Net assets</b>		<b>1</b>	1
<b>Equity</b>			
Ordinary shares	11	<b>1</b>	1
Retained earnings		-	-
<b>Total equity</b>		<b>1</b>	1

The financial statements on pages 6 to 15 were approved by the board of directors and signed on its behalf by:



S D McFarlane  
Director  
26 July 2011

Registered no. MC-219838

## Statement of changes in equity

for the year ended 31 March 2011

	Share capital £	Retained earnings £	Total equity £
At 31 March 2010 and at 31 March 2011	1	-	1

## Statement of cash flows

for the year ended 31 March 2011

	Year ended 31 March 2011 £	71 week period ended 31 March 2010 £
<b>Cash flows from operating activities</b>	-	-
Interest paid	(40,376,939)	(7,619,775)
<b>Cash flows from investing activities</b>	<b>(40,376,939)</b>	<b>(7,619,775)</b>
Interest received	40,377,488	7,619,775
Loans granted to parent company	654,135,020	650,026,946
<b>Cash flows from financing activities</b>	<b>694,512,508</b>	<b>657,646,721</b>
Proceeds from issuance of bonds	(654,135,020)	(650,026,946)
<b>Net cash used in financing activities</b>	<b>(654,135,020)</b>	<b>(650,026,946)</b>
<b>Net increase in cash and cash equivalents</b>	<b>549</b>	-
Cash and cash equivalents at beginning of year/period	-	-
<b>Cash and cash equivalents at end of year/period</b>	<b>549</b>	-

## Notes to the financial statements

for the year ended 31 March 2011

### 1. Authorisation of financial statements

The company's financial statements for the year ended 31 March 2011 were authorised for issue by the board of directors on 26 July 2011 and the balance sheet was signed on the board's behalf by S D McFarlane, Director. Yorkshire Water Services Bradford Finance Limited is a limited company incorporated and domiciled in the Cayman Islands.

### 2. General Information

Yorkshire Water Services Bradford Finance Limited raises finance for use in the business of Yorkshire Water. The company is a private company, incorporated in the Cayman Islands and domiciled in the UK. The address of the registered office is Maples & Calder Corporate Services Limited, PO BOX 309, Ugland House, Grand Cayman, Cayman Islands, KY1-1104.

### 3. Accounting policies

#### ***Basis of preparation***

The company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and IFRIC interpretations as they apply to the financial statements of the company for the year ended 31 March 2011.

The company's financial statements are prepared on a going concern basis, under the historical cost convention.

#### ***Financial instruments***

##### ***Trade and other receivables***

Trade and other receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. There is no intention to trade the receivables.

##### ***Trade and other payables***

Trade and other payables do not carry any interest and are stated at their nominal value.

##### ***Interest-bearing loans and borrowings***

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on re-purchase, settlement or otherwise cancellation of liabilities are recognised respectively in investment income and finance costs.

Index-linked borrowings are adjusted for movements in the Retail Prices Index (RPI) with reference to a base RPI established at trade date. The subsequent gain or loss on this adjustment is recognised in the income statement.

##### ***Principal areas of judgement***

The directors consider there to be no principal areas of judgement in the accounts.

## Notes to the financial statements

for the year ended 31 March 2011 (continued)

### 3. Accounting policies (continued)

#### *New standards and interpretations*

The Group has adopted the following new and amended IFRSs as of 1 April 2010 with no material impact:

IAS 32	Financial instruments – Presentation – Classification of rights issues
IFRS 1	First-time adoption of International Financial Reporting Standards (amendment)
IAS 24	Related party disclosures (revised)
IAS 27	Consolidated and separate financial statements (amendment)
IFRIC 14	The limit on a defined benefit assets, minimum funding requirements and their interaction (amendment)
IFRS 9	Financial instruments
IFRIC 17	Distribution of non cash assets to owners
IFRIC 18	Adoption of assets from customers

At the date of approval of these financial statements, the following standards and interpretation, which have not been applied in these financial statements, were in issue but not yet effective:

IAS 12	Income taxes - amendment
IFRS 7	Financial instruments
IFRS 10	Consolidated financial standards
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of interests in other entities
IFRS 13	Fair Value measurement
IAS 1	Presentation of financial statements (amendment)
IAS 24	Related party disclosures (amendment)
IAS 27	Consolidated and separate financial statements (amendment)
IAS 28	Investments in associates and joint ventures - revised
IFRIC 19	Extinguishing financial liabilities with equity instruments

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

### 4. Operating costs

Auditors' remuneration has been borne by Yorkshire Water Services Limited.

The directors did not receive any emoluments in respect of their services to Yorkshire Water Services Finance Limited (2010: £nil). Key management costs are included in the Kelda Holdco Limited accounts.

The average number of persons employed by the company during the year was nil. (2010: nil)

## Notes to the financial statements

for the year ended 31 March 2011 (continued)

### 5. Finance costs and investment income

	Year ended 31 March 2011 £	71 week period 31 March 2010 £
<b>Finance costs:</b>		
6.000% £275m bond 2019	16,500,017	11,301,370
6.375% £200m bond 2039	12,749,998	8,732,877
2.718% £175m index linked bond 2039	5,114,404	3,341,352
6.375% £100m bond 2038	5,295,428	-
6.000% £450m bond 2017	25,298,630	-
2.718% £85m bond 2039	1,638,238	-
RPI uplift on 2.718% £85m index linked bond 2039	7,033,096	-
RPI uplift on 2.718% £175m index linked bond 2039	9,184,397	5,130,251
Amortisation of issue costs in respect of bonds	1,266,523	377,695
	<b>84,080,731</b>	28,883,545
<b>Finance income:</b>		
From group undertakings	<b>(84,080,731)</b>	(28,883,545)
	<b>-</b>	-

The finance income relates to interest on monies lent to Yorkshire Water Services Finance Limited.

Finance costs include the amortisation of issue costs.

### 6. Taxation

There is no tax charge for the year (2010: £nil)

### 7. Trade and other receivables

	2011 £	2010 £
<b>Amounts owed by parent company</b>		
Current	48,898,657	21,263,769
Non-current	1,320,230,320	650,026,946
	<b>1,369,128,977</b>	671,290,715

The repayment terms of amounts due after more than one year are consistent with those disclosed for long term borrowings in note 9. Since the amounts are secured by group undertakings, the directors consider the credit risk to be minimal.

All receivables are reviewed regularly to assess any associated credit risk. All long-term receivables are due from Yorkshire Water Services Finance Limited. Any impairment considered necessary has been made to the amounts included above.

All current receivables are not past due and have not been impaired. All non-current receivables fall due in more than five years.

## Notes to the financial statements

for the year ended 31 March 2011 (continued)

### 8. Trade and other payables

	2011 £	2010 £
<b>Amounts falling due within one year:</b>		
Interest on 6.000% £275m bond 2019	10,035,616	11,301,370
Interest on 6.375% £200m bond 2039	7,754,795	8,732,877
Interest on 2.718% £175m index linked bond 2039	1,300,531	1,229,522
Interest on 6.000% £450m bond 2019	25,298,630	-
Interest on 6.375% £100m index linked bond 2039	3,877,397	-
Interest on 2.718% £85m index linked bond 2039	631,687	-
Other	549	-
	<b>48,899,205</b>	<b>21,263,769</b>

### 9. Borrowings

	2011 Book value £	2010 Book value £
<b>Maturity profile</b>		
Wholly repayable after five years:		
6.000% £275m bond 2019	272,616,664	272,255,115
6.375% £200m bond 2039	197,808,552	197,641,579
2.718% £175m index linked bond 2039	189,314,648	180,130,251
2.718% £85m index linked bond 2039	105,417,645	-
6.375% £100m index linked bond 2039	108,946,045	-
6.000% £450m index linked bond 2019	446,126,766	-
	<b>1,320,230,320</b>	<b>650,026,945</b>

	2011 Fair value £	2010 Fair value £
<b>Maturity profile</b>		
Wholly repayable after five years:		
6.000% £275m bond 2019	298,598,000	295,100,000
6.375% £200m bond 2039	227,076,000	223,260,000
2.718% £175m index linked bond 2039	194,005,000	199,325,000
2.718% £85m index linked bond 2039	94,231,000	-
6.375% £100m index linked bond 2039	113,538,000	-
6.000% £450m index linked bond 2019	464,729,000	-
	<b>1,392,177,000</b>	<b>717,685,000</b>

The fair values of the bonds have been determined by reference to market values for similar instruments.

The bonds are held in sterling and therefore there is no currency risk.

## Notes to the financial statements

for the year ended 31 March 2011 (continued)

### 9. Borrowings (continued)

#### 6.000% guaranteed bonds 2019

These bonds are repayable in one sum on 21 August 2019. Interest is charged at 6.000%.

#### 6.375% guaranteed bonds 2039

These bonds are repayable in one sum on 19 August 2039. The interest is charged at 6.375%.

#### 2.718% index linked guaranteed bonds 2039

These bonds are repayable in one instalment on 30 December 2039. The interest is charged at 2.718% multiplied by an index ratio and the principal amount is increased semi-annually in line with the retail price index.

#### 6.000% index linked bond 2019

The bond is repayable in one sum on 21 August 2019. The interest is charged at 6.000%

### 10. Financial instruments

The interest rate risk profile of the company's financial liabilities at 31 March 2011 is below. This includes interest payable in the period as well as the principal repayments. It is assumed that LIBOR and indexation remain constant at the year end position.

#### Year ended 31 March 2011

	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m	Total £m
<b>Fixed rate</b>							
6.000% bond 2019	16.5	16.5	16.5	16.5	16.5	331.0	413.5
6.375% bond 2039	19.1	19.1	19.1	19.1	19.1	747.3	842.8
	<b>35.6</b>	<b>35.6</b>	<b>35.6</b>	<b>35.6</b>	<b>35.6</b>	<b>1,078.3</b>	<b>1,256.3</b>
<b>Floating rate</b>							
2.718% index linked bonds 2039	7.1	7.1	7.1	7.1	7.1	449.2	484.7
6.375% index linked bond 2039	12.8	12.8	12.8	12.8	12.8	510.7	574.7
6.000% index linked bond 2019	16.5	16.5	16.5	16.5	16.5	347.5	430.0
	<b>36.4</b>	<b>36.4</b>	<b>36.4</b>	<b>36.4</b>	<b>36.4</b>	<b>1,307.4</b>	<b>1,489.4</b>

#### Period ended 31 March 2010

	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m	Total £m
<b>Fixed rate</b>							
6.000% £275m bond 2019	16.5	16.5	16.5	16.5	13.9	347.5	427.4
6.375% £200m bond 2039	12.8	12.8	12.8	12.8	12.8	510.7	574.7
	<b>29.3</b>	<b>29.3</b>	<b>29.3</b>	<b>29.3</b>	<b>26.7</b>	<b>858.2</b>	<b>1,002.1</b>
<b>Floating rate</b>							
2.718% £175m index linked bond 2039	4.8	4.8	4.8	4.8	4.8	292.5	316.5



## Notes to the financial statements

for the year ended 31 March 2011 (continued)

### 13. Contingent liabilities

The banking arrangements of the company operate on a pooled basis with other group companies and the bank balances of each subsidiary can be offset against each other. No losses are expected to arise as a result of this arrangement.

### 14. Related parties

Loans to the immediate parent company carry interest at market rates incurred by the company when raising the funds externally (note 5).

No purchase or sales transactions were entered into between the company and any other group companies.

	2011 £	2010 £
<b>Loans to parent company:</b>		
Brought forward	671,290,715	-
Loans advanced during the period	670,203,374	650,026,946
Interest charged	84,080,731	28,883,544
Interest paid	<u>(56,445,843)</u>	<u>(7,619,775)</u>
	<u>1,369,128,977</u>	<u>671,290,715</u>