

Registered no: MC-219850

# **Yorkshire Water Services Odsal Finance Holdings Limited**

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

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# Yorkshire Water Services Odsal Finance Holdings Limited

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Registered No: MC-219850

## **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 a holding company within the Yorkshire Water securitised group of companies.

### Principal risks and uncertainties

The directors do not consider there to be any material risks or uncertainties which require disclosure.

### 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 were reappointed auditors during the year and 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 Odsal Finance Holdings Limited

We have audited the financial statements of Yorkshire Water Services Odsal Finance Holdings 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.

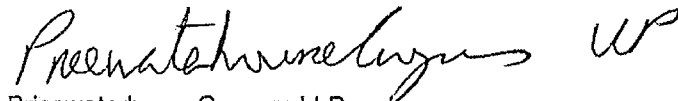
### Scope of the audit of the financial statements

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

		<i>Year ended</i> <b>31 March 2011</b>	<i>71 week</i> <i>period ended</i> <i>31 March</i> <i>2010</i>
	<i>Notes</i>	<b>£</b>	<b>£</b>
Operating profit		-	-
Exceptional finance costs	4	-	(42,132,112)
Loss before income tax		-	(42,132,112)
Income tax expense	6	-	
<b><i>Result/loss for the year/period</i></b>		-	(42,132,112)

All activities relate to continuing operations.

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

## Balance sheet

as at 31 March 2011

		As at 31 March 2011	As at 31 March 2010
	Note	£	£
<b>Assets</b>			
<b>Non-current assets</b>			
Investment in group undertakings	7	1	1
<b>Current assets</b>			
Cash and cash equivalents		1	1
<b>Total assets</b>		<u>2</u>	<u>2</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	8	(1)	(1)
<b>Total liabilities</b>		<u>(1)</u>	<u>(1)</u>
<b>Net assets</b>		<u>1</u>	<u>1</u>
<b>Capital and reserves</b>			
Ordinary shares	9	42,132,113	42,132,113
Retained earnings		(42,132,112)	(42,132,112)
<b>Total equity</b>		<u>1</u>	<u>1</u>

The financial statements on pages 6 to 11 were approved by the board of directors and signed on its behalf by:



S D McFarlane  
Director  
26 July 2011

## Statement of changes in equity

for the year ended 31 March 2011

	<i>Share capital</i>	<i>Retained earnings</i>	<i>Total equity</i>
	£	£	£
On incorporation	1	-	1
Loss for the period	-	(42,132,112)	(42,132,112)
Share capital injection during period	42,132,112	-	42,132,112
<b>At 31 March 2010</b>	42,132,113	(42,132,112)	1
Result for the year	-	-	-
<b>At 31 March 2011</b>	42,132,113	(42,132,112)	1

## Statement of cash flows

for the year ended 31 March 2011

	<i>2011</i>	<i>2010</i>
	£	£
<b>Cash flows from operating activities</b>	-	-
Investment in subsidiary company	-	(42,132,113)
<b>Cash flows from investing activities</b>	-	<b>(42,132,113)</b>
Share capital injection received	-	42,132,113
<b>Net cash used in financing activities</b>	-	<b>42,132,113</b>
<b>Net increase in cash and cash equivalents</b>	-	-
Cash and cash equivalents at beginning of year/period	-	-
<b>Cash and cash equivalents at end of year/period</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 Stuart McFarlane, Director. Yorkshire Water Services Odsal Finance Holdings Limited is a limited company incorporated and domiciled in the Cayman Islands.

### 2. General Information

Yorkshire Water Services Odsal Finance Holdings 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.

#### **Investments in subsidiaries**

Investments in subsidiaries are stated at cost and reviewed for impairment if there are indications that the carrying value may not be recoverable.

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

The directors consider the principal areas of judgement in the financial statements to be:

- fair value of derivatives and other financial instruments.

#### **New standards and interpretations**

The Group has adopted the following new and amended IFRSs as of 1 April 2010. None of the below have a material impact:

IAS 32	'Financial instruments – Presentation – Classification of rights issues'
IFRIC 19	'Extinguishing financial liabilities with equity instruments'
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 13	'Customer loyalty programmes'
IFRIC 14	'IAS 19 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'

## Notes to the financial statements (continued)

for the year ended 31 March 2011

### 3. Accounting policies (continued)

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 1	'First-time adoption of International Financial Reporting Standards (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 13	'Customer loyalty programmes'
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 year of initial application.

### 4. Exceptional finance costs

During the period ended 31 March 2010 the company incurred exceptional costs of £42.1m.

As a result of the whole business securitisation in July 2009, the company made a £42.1m share capital injection into Yorkshire Water Services Odsal Finance Limited (Odsal Finance) to enable the payment of accrued interest on exchanged bonds. The company is required to write down the investment in Odsal Finance at the year end as the net assets of Odsal Finance is lower than the amount invested.

These costs are included within financing costs as they were incurred as a result of the whole business securitisation.

### 5. Operating costs

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

The company has no employees. 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)

### 6. Taxation

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

**Notes to the financial statements (continued)**  
for the year ended 31 March 2011

**7. Investment in subsidiary**

The investment of £1 comprises shares in Yorkshire Water Services Odsal Finance Limited at incorporation and there have been no movements from incorporation to 31 March 2011.

**8. Borrowings**

	<b>2011</b>	<b>2010</b>
	<b>Book Value</b>	<b>Book Value</b>
	<b>£</b>	<b>£</b>
<b>Maturity profile</b>		
Wholly repayable after five years:		
Loan from subsidiary company	<u>1</u>	<u>1</u>

**9. Share capital**

		<b>Authorised</b>
		<b>£</b>
Ordinary shares of £1 each at 1 April 2010 and 31 March 2011		<u>75,000,000</u>
		<b>Allotted and called up</b>
		<b>No.                      £</b>
Ordinary shares of £1 each at 1 April 2010 and 31 March 2011	<u>42,132,113</u>	<u>42,132,113</u>

**10. Ultimate controlling party**

The company's immediate parent company is Yorkshire Water Services Limited. The company's ultimate parent company and controlling party is Kelda Holdings Limited, a company registered in Jersey.

Kelda Holdco Limited, a company registered in England and Wales, is the parent undertaking of the smallest group to consolidate these accounts. Kelda Eurobond Co Limited, a company registered in England and Wales, is the largest UK group to consolidate these accounts.

Copies of the group accounts may be obtained from the Company Secretary, Kelda Eurobond Co Limited, Western House, Halifax Road, Bradford BD6 2SZ.

**11. 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.

**Notes to the financial statements (continued)**  
for the year ended 31 March 2011

**12. Related parties**

Loans from subsidiary companies carry interest at market rates incurred by the company when raising the funds externally.

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

	<i>2011</i>	<i>2010</i>
	£	£
<b>Loans from subsidiary company:</b>	<u>1</u>	<u>1</u>