

**Yorkshire Water Services Holdings Limited**

**Annual report and financial statements**

Registered number 06815156

Year ended 31 March 2015

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## **Directors and advisers**

### **Directors**

S D McFarlane (resigned 31 December 2014)  
R Flint  
K I Whiteman (resigned 31 March 2015)  
E M Barber  
C Forrest (appointed 31 December 2014)

### **Company secretary**

C Forrest

### **Independent auditors**

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

### **Registered office**

Western House  
Halifax Road  
Bradford  
West Yorkshire  
BD6 2SZ

### **Bankers**

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

## Strategic report

The directors present their strategic report on the company for the year ended 31 March 2015.

### Principal activities and business review

The principal activity of the company continued to be that of a holding company within the Kelda Holdings Limited group.

### Financial performance and outlook

During the year to 31 March 2015 the company continued to focus on delivering excellent internal services and performed in line with management expectations.

It is anticipated that the company will continue to follow the same model for the foreseeable future, a view which is supported by the value of its investments, with the balance sheet strength being underpinned by the performance of its investments.

### Principal risks and uncertainties

Due to the nature of the business, there are no material risks or uncertainties which require disclosure.

### Key performance indicators

Due to the nature of the business, key performance indicators are not applicable.

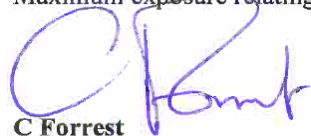
### Financial risk management

The objectives when managing capital are to safeguard the Yorkshire Water financing group's ability to continue as a going concern in order to provide benefits to stake-holders and returns to shareholders and to maintain an optimal capital structure. In order to do this, the company considers the amount of debt and assets held and their liquidity.

When monitoring capital risk, the company considers its interest cover measures and its gearing expressed as the ratio of net debt to Regulatory Capital Value.

Centrally managed funds are invested entirely with counter-parties whose credit rating is A or better.

Maximum exposure relating to financial assets is represented by carrying value as at the balance sheet date



C Forrest

Director

14 July 2015

## Directors' report

The directors present their annual report and audited financial statements of the company for the year ended 31 March 2015.

### Proposed dividend

The company paid dividends of £93,552,000 (2014: £165,474,000) in the year. No final dividend is proposed.

### Future developments

The directors' view on the company's future outlook is discussed in the Strategic Report on page 2.

### Directors

The directors listed below have served the company throughout the year and up to the date of approval of the financial statements, unless otherwise stated:

S D McFarlane (resigned 31 December 2014)

R Flint

K I Whiteman (resigned 31 March 2015)

E M Barber

C Forrest (appointed 31 December 2014)

### Directors' indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

### Disclosure of information to auditors

As at the date of this report, as far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware and the directors have taken all the steps that they ought to have as directors, in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of this information.

### Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, a resolution concerning their reappointment will be proposed by the directors.

By order of the board



**C Forrest**

Director

14 July 2015

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, 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 year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 estimates that are reasonable and prudent ;
- state whether applicable UK Accounting Standards including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of the financial statements; 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 and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# **Independent auditors' report to the members of Yorkshire Water Services Holdings Limited**

## **Report on the financial statements**

### **Our opinion**

In our opinion, Yorkshire Water Services Holdings Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **What we have audited**

Yorkshire Water Services Holdings Limited's financial statements comprise:

- the balance sheet as at 31 March 2015;
- the statement of changes in equity for the year then ended;
- the profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Other matters on which we are required to report by exception**

#### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

#### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

# **Independent auditors' report to the members of Yorkshire Water Services Holdings Limited** (continued)

## **Responsibilities for the financial statements and the audit**

### **Our responsibilities and those of the directors**

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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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 save where expressly agreed by our prior consent in writing.

### **What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Arif Ahmad (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Benson House  
33 Wellington Street  
Leeds  
LS1 4JP

14 July 2015



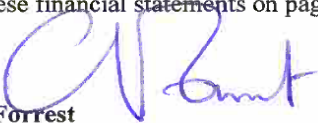
**Profit and Loss Account**  
*for the year ended 31 March 2015*

	<i>Note</i>	<b>2015</b> <b>£'000</b>	2014 £'000
Income from shares in group undertakings		<b>93,552</b>	165,474
<b>Operating profit on ordinary activities before taxation</b>		<b>93,552</b>	165,474
<b>Tax on profit on ordinary activities</b>	5	-	-
<b>Profit for the financial year</b>		<b>93,552</b>	165,474

**Balance Sheet**  
 for the year ended 31 March 2015

	<i>Note</i>	<b>2015</b> £'000	2014 £'000
<b>Fixed assets</b>			
Investments	6	<b>778,319</b>	778,319
		<u>778,319</u>	<u>778,319</u>
<b>Current assets</b>			
Debtors	7	-	-
		<u>-</u>	<u>-</u>
<b>Total assets less current liabilities</b>		<b>778,319</b>	778,319
		<u>778,319</u>	<u>778,319</u>
<b>Net assets</b>			
		<b>778,319</b>	778,319
		<u>778,319</u>	<u>778,319</u>
<b>Capital and reserves</b>			
Called up share capital	8	-	-
Share premium account		<b>778,319</b>	778,319
Profit and loss account		-	-
		<u>-</u>	<u>-</u>
<b>Shareholders' funds</b>		<b>778,319</b>	778,319
		<u>778,319</u>	<u>778,319</u>

These financial statements on pages 7 to 14 were approved by the board of directors on 14 July 2015 and were signed on its behalf by:



**C Forrest**  
 Director

Company registered number: 06815156

## Statement of Changes in Equity

	Called up Share capital £'000	Share Premium account £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 April 2013	-	778,319	-	778,319
<b>Total comprehensive income for the year</b>				
Profit for the financial year	-	-	165,474	165,474
Total comprehensive income for the financial year	-	-	165,474	165,474
Dividends	-	-	(165,474)	(165,474)
Total contributions by and distributions to owners	-	-	(165,474)	(165,474)
<b>Balance at 31 March 2014</b>	<b>-</b>	<b>778,319</b>	<b>-</b>	<b>778,319</b>

	Called up share capital £'000	Share Premium Account £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 April 2014	-	778,319	-	778,319
<b>Total comprehensive income for the year</b>				
Profit for the financial year	-	-	93,552	93,552
Total comprehensive income for the financial year	-	-	93,552	93,552
Dividends	-	-	(93,552)	(93,552)
Total contributions by and distributions to owners	-	-	(93,552)	(93,552)
<b>Balance at 31 March 2015</b>	<b>-</b>	<b>778,319</b>	<b>-</b>	<b>778,319</b>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Yorkshire Water Services Holdings Limited (the "Company") is a private company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and the Companies Act 2006. The amendments to FRS 101 (2013/14 Cycle) issued in July 2014 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the transition to FRS 101 from old UK GAAP, the Company has made no measurement and recognition adjustments.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The following exemptions have been taken in these financial statements:

- Business combinations - Business combinations that took place prior to 1 April 2013 have not been restated.

Kelda Eurobond Co Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Kelda Eurobond Co Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Western House, Halifax Road, Bradford, BD6 2SZ.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Kelda Eurobond Co Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures.

- The disclosures required by IFRS 7 and IFRS 13 regarding financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value and are not either held as part of trading portfolio or derivatives.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 balance sheet at 1 April 2013 for the purposes of the transition to FRS 101.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 10.

#### ***Measurement convention***

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

## **Notes** (continued)

### **1 Accounting policies** (continued)

#### **Classification of financial instruments issued by the Company**

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

#### **Non-derivative financial instruments**

Non-derivative financial instruments comprise investments in equity and debt securities and trade and other debtors.

##### *Trade and other debtors*

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

##### *Investments in debt and equity securities*

Investments in subsidiaries are carried at cost less impairment.

#### **Impairment excluding stocks and deferred tax assets**

##### *Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### *Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**Notes (continued)**

**1 Accounting policies (continued)**

**Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive loss, in which case it is recognised directly in equity or other comprehensive loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

**2 Expenses and auditor's remuneration**

Auditors' remuneration has been borne by Kelda Group Limited.

**3 Staff numbers and costs**

The company did not have any employees during the year ended 31 March 2015 (2014: nil).

**4 Directors' remuneration**

The directors did not receive any emoluments in respect of their services to Yorkshire Water Services Holdings Limited (2014: £nil).

**5 Taxation**

There is no tax charge for the year on profit on ordinary activities (2014: £nil). The tax for the year is lower (2014: lower) than the standard rate of corporation tax in the UK of 21% (2014: 23%). The differences are explained below:

**Reconciliation of effective tax rate**

	2015 £'000	2014 £'000
Profit for the financial year	93,552	165,474
Profit excluding taxation	93,552	165,474
Tax using the UK corporation tax rate of 21% (2014: 23%)	19,646	38,059
Non-deductible expenses	(19,646)	(38,059)
Total tax expense included in profit and loss	-	-

**Notes (continued)**

**5 Taxation (continued)**

The Finance Act 2013 introduced a reduction in the rate of corporation tax from 23% to 21% from 1 April 2014 and from 21% to 20% from 1 April 2015. These rates were substantively enacted on 2 July 2013 and, therefore, are included in these financial statements.

**6 Fixed asset investments**

	<b>Subsidiary undertakings £'000</b>
<i>Cost</i>	
At 1 April 2014	778,319
At 31 March 2015	778,319
<i>Net book value</i>	
<b>At 31 March 2015</b>	<b>778,319</b>
At 31 March 2014	778,319

The Company has the following investments in subsidiaries.

	<b>Country of Incorporation</b>	<b>Nature of business</b>	<b>Class of shares held</b>	<b>Ownership</b>	
				<b>2015</b>	<b>2014</b>
Yorkshire Water Services Limited	England & Wales	Water services	Ordinary	<b>100%</b>	100%
* Yorkshire Water Services Odsal Finance Holdings Limited	Cayman Islands	Holding company	Ordinary	<b>100%</b>	100%
* Yorkshire Water Services Odsal Finance Limited	Cayman Islands	Finance company	Ordinary	<b>100%</b>	100%
* Yorkshire Water Services Bradford Finance Limited	Cayman Islands	Finance company	Ordinary	<b>100%</b>	100%
* Yorkshire Water Services Finance Limited	England & Wales	Finance company	Ordinary	<b>100%</b>	100%

\* Indirect holding

**7 Debtors**

	<b>2015 £'000</b>	<b>2014 £'000</b>
Amounts owed by group undertakings - £1 (2014: £1)	-	-

The amounts owed by group undertakings are unsecured, do not bear interest and are payable on demand.

*Notes (continued)*

**8 Called-up share capital**

	2015	2014
	£'000	£'000
<i>Allotted, called up and fully paid</i>		
2 (2014: 2) ordinary shares at £1 each (2014 at £1 each)	-	-
	-	-

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

*Dividends*

The following dividends were recognised during the year:

	2015	2014
	£'000	£'000
£46,775,806 (2014: £82,737,110) per qualifying ordinary share	93,552	165,474
	93,552	165,474

**9 Ultimate parent company and parent company of larger group**

The Company is a subsidiary undertaking of Kelda Holdings Limited which is the ultimate parent company incorporated in Jersey. The ultimate controlling party is Kelda Holdings Limited.

The largest UK group in which the results of the Company are consolidated is that headed by Kelda Eurobond Co Limited, incorporated in England and Wales. The smallest group in which they are consolidated is that headed by Kelda Finance (No. 1) Limited, incorporated in England and Wales. The consolidated financial statements of these groups are available to the public and may be obtained from the Company Secretary, Kelda Eurobond Co Limited, Western House, Halifax Road, Bradford, BD6 2SZ.

**10 Accounting estimates and judgements**

The preparation of financial statements with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. There were no such areas of judgement or uncertainty deemed significant in these financial statements.

**11 Explanation of transition to FRS 101 from Adopted UK GAAP**

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2015 and the comparative information presented in these financial statements for the year ended 31 March 2014. The date of transition was 1 April 2013.

In preparing its FRS 101 balance sheet, the Company has not adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP).