Registered number: MC-219838

Yorkshire Water Services Bradford Finance Limited

Annual report and financial statements
for the year ended 31 March 2014

Registered No: MC-219838

Contents

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Directors and advisers

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

for the year ended 31 March 2014

The directors present their annual report and audited financial statements for the year ended 31 March 2014. This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

Results and dividends

Profit for the financial year was £241,000 (2013: £nil). The directors do not recommend the payment of any dividends (2013: £nil).

Principal activities, review of the business and future developments

The principal activity of the company during the year was that of raising finance for use in the business of Yorkshire Water Services Limited ('Yorkshire Water'). This is expected to continue for the foreseeable future. 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 Yorkshire Water 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 financial statements.

Share capital

The company has 1 alloted share of £1, containing all voting rights.

Risk management

Risk management relating to the financing obligations of the company is managed as part of the overall financial risk management strategy of Yorkshire Water Services Limited, and the securitised group.

Financial risks

The financial risks facing the company are set out on page 18 in note 9 to the financial statements.

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:

Richard Flint
Kevin Whiteman
Stuart McFarlane
Elizabeth Barber

The company has directors' and officers' liability insurance in place. By virtue of the articles of association, the company had also provided indemnity for its directors and the secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

Directors' report

for the year ended 31 March 2014 (continued)

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 himself 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 appointed auditors during the year and have indicated their willingness to continue in office. A resolution concerning their reappointment will be proposed by the directors.

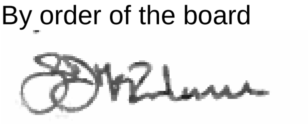
Statement of directors' responsibilities

The directors are responsible for preparing the non-statutory financial statements in accordance with the basis of preparation and accounting policies in note 3. The directors must not approve the non-statutory financial statements unless they are satisfied that they have been properly prepared, in all material respects, in accordance with the basis of preparation and accounting policies in note 3 to the non-statutory financial statements. In preparing these non-statutory financial statements, the directors have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and accounting estimates that are reasonable and prudent;
- stated the basis of preparation and accounting policies applied; and
- prepared the non-statutory 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
14 July 2014

Independent auditors' report

to the directors of Yorkshire Water Services Bradford Finance Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its profit and cash flows for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.
- This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Yorkshire Water Services Bradford Finance Limited, comprise:

- the balance sheet as at 31 March 2014;
- the income statement for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity 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 their preparation is applicable law and IFRSs as adopted by the European Union.

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.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("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.

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.

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.

Independent auditors' report

to the directors of Yorkshire Water Services Bradford Finance Limited (continued)

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & 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 company's directors as a body to fulfil management's stewardship obligations in relation to compliance with the terms of the Deutsche Bank AG Common Terms Agreement in accordance with our engagement letter dated 25 April 2014 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.

Pricewaterhousecoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
Leeds
14 July 2014

Income statement

for the year ended 31 March 2014

	Note	**Year ended 31 March 2014** £	Year ended 31 March 2013 £
Finance income	4	**111,183,698**	101,719,223
Exceptional finance income	4	**67,840,731**	25,239,241
Total finance income		**179,024,429**	126,958,464
Finance costs	4	**(110,942,698)**	(101,719,223)
Exceptional finance costs	4	**(67,840,731)**	(25,239,241)
Total finance costs		**(178,783,429)**	(126,958,464)
Profit / result before income tax		**241,000**	-
Income tax expense	5	**-**	-
Profit / result for the year		**241,000**	-

All activities relate to continuing operations.

There is no other comprehensive income for the year therefore no statement of comprehensive income has been presented.

The notes on pages 10 to 20 are an integral part of these financial statements.

Balance sheet
as at 31 March 2014

	Note	**31 March 2014**	31 March 2013
		£	£
Assets			
Non-current assets			
Trade and other receivables	6	**2,062,024,270**	1,994,706,813
Current assets			
Trade and other receivables	6	**53,008,726**	51,476,037
Cash and cash equivalents		**3,280**	3,276
Total assets		**2,115,036,276**	2,046,186,126
Liabilities			
Current liabilities			
Trade and other payables	7	**(53,012,005)**	(51,479,312)
Non-current liabilities			
Borrowings	8	**(2,061,783,270)**	(1,994,706,813)
Total liabilities		**(2,114,795,275)**	(2,046,186,125)
Net assets		**241,001**	1
Equity			
Share capital	10	**1**	1
Retained earnings		**241,000**	-
Total equity		**241,001**	1

The financial statements on pages 7 to 20 were approved by the board of directors and signed on its behalf by:

S D McFarlane
Director
14 July 2014

Registered no. MC-219838

Statement of changes in equity

for the year ended 31 March 2014

	Share capital £	Retained earnings £	Total equity £
At 31 March 2012 and at 31 March 2013	1	-	1
Retained profit for the year and total comprehensive income	-	241,000	241,000
At 31 March 2014	**1**	**241,000**	**241,001**

Statement of cash flows

for the year ended 31 March 2014

	Year ended 31 March 2014 £	Year ended 31 March 2013 £
Cash flows from operating activities		
Interest paid on external bonds	(97,908,092)	(87,826,409)
Net cash used in operating activities	**(97,908,092)**	**(87,826,409)**
Cash flows from investing activities		
Interest received on loans granted to parent company	98,149,096	87,829,135
Loans granted to parent company	(123,141,509)	(296,301,358)
Net cash used in investing activities	**(24,992,413)**	**(208,472,223)**
Cash flows from financing activities		
Proceeds from issuance of bonds	122,900,509	296,301,358
Net cash generated from financing activities	**122,900,509**	**296,301,358**
Net increase in cash and cash equivalents	**4**	**2,726**
Cash and cash equivalents at beginning of year	3,276	550
Cash and cash equivalents at end of year	**3,280**	**3,276**

Notes to the financial statements
for the year ended 31 March 2014

1. Authorisation of financial statements
The company's financial statements for the year ended 31 March 2014 were authorised for issue by the board of directors on 14 July 2014 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 in the Cayman Islands and resident for tax in the UK.

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 resident for tax 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 2014, and as if the UK Companies Act 2006 was applicable.

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

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

Financial instruments

Trade and other receivables
Trade receivables are initially recognised at fair value, and subsequently remeasured at amortised cost, net of any allowance for impairment.

Trade and other payables
Trade payables are initially recognised at fair value, and subsequently remeasured at amortised cost.

Exceptional items
Exceptional items are items which derive from events or transactions that fall within the ordinary activities of the reporting entity and which individually or, if of a similar type, in aggregate need to be disclosed by virtue of their size or incidence if the financial statements are to give a true and fair view.

Fair value estimation
The fair value of any financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt. The fair value calculations have been adjusted to incorporate own and counter-party credit risk.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate to their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

Notes to the financial statements
for the year ended 31 March 2014 (continued)

3. Accounting policies (continued)

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.

Derivative financial instruments
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at the balance sheet date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Principal areas of judgement
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.

New standards and interpretations
The following standards have been adopted by the company for the first time for the financial year beginning 1 April 2013 and do not have a material impact on the company:

- IFRS 13 'Fair value measurements', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.
- IAS 19 'Employee benefits' (revised). The changes on the Group's accounting policies has been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability.
- Amendment to IAS 1 'Financial statement presentation' regarding other comprehensive income.

The following standards, interpretations and amendments to existing standards are effective for annual periods starting on or after 1 January 2014 and have not been early adopted by the company:

- Amendment to IAS 32 'Financial instruments presentation - offsetting financial assets and liabilities'
- Amendments to IFRS 10, IFRS 12 and IAS 27 for investment entities

Notes to the financial statements
for the year ended 31 March 2014 (continued)

3. Accounting policies (continued)

- Amendments to IAS 36 ‘Impairment of assets’
- Amendment to IAS 39 ‘Financial instruments: Recognition and measurement’
- Amendments to IFRS 10, 11 and 12 on transition guidance
- IFRS 10 ‘Consolidated financial statements’
- IFRS 11 ‘Joint arrangements’
- IFRS 12 ‘Disclosures of interests in other entities’
- IAS 27 (revised) ‘Separate financial statements’
- IAS 28 (revised) ‘Associates and joint ventures’
- IFRIC 21 ‘Levies’

The following standards, interpretations and amendments to existing standards are not yet effective and have not been early adopted by the company:

- Amendment to IAS 19 ‘Employee benefits’
- Amendments to IFRS 9 ‘Financial instruments – regarding general hedge accounting’
- IFRS 9 ‘Financial instruments – classification and measurement’

- Amendment to IFRS 7 ‘Financial instruments disclosures – offsetting financial assets and liabilities’
- IFRS 14 ‘Regulatory deferral accounts’

The company is still considering the implications of applying these standards and interpretations to the company’s financial statements.

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 Bradford Finance Limited (2013: £nil). Key management costs are included in the Kelda Eurobond Co Limited financial statements.

The average number of persons employed by the company during the year was nil, except directors (2013: nil).

Notes to the financial statements
for the year ended 31 March 2014 (continued)

4. Operating costs (continued)

	Year ended 31 March 2014 £	Year ended 31 March 2013 £
Finance income:		
From group undertakings	**111,183,698**	101,719,223
Finance costs:		
Interest payable on fixed rate US dollar bonds	**(12,336,298)**	(11,339,531)
Interest payable on fixed rate sterling bonds	**75,270,778)**	(67,771,793)
Interest payable on index linked sterling bonds	**(10,516,704)**	(10,070,576)
Interest payable on fixed rate Australian dollar bonds	**(1,558,004)**	-
Other interest payable	**-**	(2,725)
RPI uplift index linked bonds	**(11,160,596)**	(12,535,703)
Amortisation of issue costs in respect of bonds	**100,318**	(1,105)
	(110,942,698)	(101,719,223)
	241,000	-
Exceptional finance income:		
Fair value		
Movement in fair value of fixed rate US dollar bonds	**44,595,326**	-
Movement in fair value of fixed rate sterling bonds	**16,895,302**	5,100,000
Movement in fair value of fixed rate Australian dollar bonds	**6,350,103**	-
Movement in fair value of intercompany loans	**-**	20,139,241
	67,840,731	25,239,241
Exceptional finance costs:		
Fair value		
Movement in fair value of fixed rate US dollar bonds	**-**	(25,239,241)
Movement in fair value of intercompany loans	**(67,840,731)**	-
	(67,840,731)	(25,239,241)
	-	-

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

Finance costs include the amortisation of issue costs.

Exceptional finance income and costs relate to the fair value movement of certain fixed rate dollar and sterling bonds which were nominated as fair value through profit and loss on inception. As the monies raised through these bonds were lent on to Yorkshire Water Services Limited, which has a combination of interest rate and combined cross currency interest rate swaps to hedge the fair value of the fixed rate bonds, the related intercompany loan was also nominated as fair value through profit and loss giving rise to a net exceptional finance cost.

Notes to the financial statements
for the year ended 31 March 2014 (continued)

5. Income tax

The tax charge for the year is lower (2013 equal) standard rate of corporation tax in the UK of 23% (2013: 24%). The differences are explained below:

	Year ended 31 March 2014 £	Year ended 31 March 2013 £
Profit / result from continuing operations before taxation	**241,000**	-
Tax on profit / result at standard UK rate of 23% (2013: 24%)	**55,430**	-
Group relief not paid for	**(55,430)**	-
Income tax expense	**-**	-

6. Trade and other receivables

Amounts owed by group undertakings	**2014 £**	2013 £
Current	**53,008,726**	51,476,037
Non-current	**2,062,024,270**	1,994,706,813

The repayment terms of amounts due after more than one year are consistent with those disclosed for long term borrowings in note 8. Since the amounts are secured against the assets of the Yorkshire Water financing group, 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.

Non-current amounts owed by the parent company includes £266,099,768 (2013: £284,569,761) relating to a US dollar loan equal to the proceeds of a US dollar bond issuance completed in November 2011, and £27,345,781 (2013: £nil) relating to a Australian dollar loan equal to the proceeds of an Australian dollar bond issuance completed in April 2013. Any foreign exchange exposure on these loans is therefore eliminated against an equal and opposite exposure within borrowings.

Notes to the financial statements
for the year ended 31 March 2014 (continued)

7. Trade and other payables

	2014 £	2013 £
Amounts falling due within one year:		
Interest payable on fixed rate US dollar bonds	**1,259,948**	1,144,879
Interest payable on fixed rate Australian dollar bonds	**5,516**	-
Interest payable on fixed rate sterling bonds	**48,969,590**	46,838,115
Interest payable on index linked sterling bonds	**2,773,671**	3,493,042
Other	**3,280**	3,276
	53,012,005	51,479,312

8. Borrowings

	2014 Book value £	2013 Book value £
Maturity profile		
Wholly repayable in more than one but less than five years:		
6.00% £450m bond 2017	**447,932,698**	447,332,470
3.18% $30m US dollar bond 2018	**17,995,019**	20,412,447
3.18% $15m US dollar bond 2019	**8,988,035**	10,208,283
Wholly repayable after five years:		
3.77% $115m US dollar bond 2021	**67,381,421**	78,419,667
3.77% $40m US dollar bond 2022	**23,426,638**	27,272,154
5.07% $75m US dollar bond 2022	**44,020,512**	51,060,228
3.87% $150m US dollar bond 2023	**86,919,120**	102,035,466
3.87% $30m US dollar bond 2024	**17,369,023**	20,400,757
2.16% £50m index linked bond 2041	**52,835,670**	51,389,859
6.00% £275m bond 2019	**273,617,731**	273,319,262
6.375% £300m bond 2039	**305,286,433**	305,748,660
2.718% £260m index linked bond 2039	**322,155,971**	314,477,245
3.625% £250m bond 2029	**227,882,885**	241,636,194
1.803% £50m index linked bond 2042	**52,350,548**	50,994,121
5.875% $50m Australian dollar bond 2023	**27,345,781**	-
4.968% £90m bond 2033	**86,275,785**	-
	2,061,783,270	1,994,706,813

Notes to the financial statements

for the year ended 31 March 2014 (continued)

8. Borrowings (continued)

	2014 Fair value £	2013 Fair value £
Maturity profile		
Wholly repayable in more than one but less than five years:		
6.000% £450m bond 2017	**489,159,000**	509,711,000
3.18% $30m bond 2018	**17,995,019**	20,412,447
3.18% $15m bond 2019	**8,988,035**	10,208,283
Wholly repayable after five years:		
3.77% $115m bond 2021	**67,381,421**	78,419,667
3.77% $40m bond 2022	**23,426,638**	27,272,154
5.07% $75m bond 2022	**44,020,512**	51,060,228
3.87% $150m bond 2023	**86,919,120**	102,035,466
3.87% $30m bond 2024	**17,369,023**	20,400,757
2.16% £50m index linked bond 2041	**52,680,000**	51,389,859
6.000% £275m bond 2019	**317,033,750**	334,172,000
6.375% £300m bond 2039	**371,940,000**	394,344,000
2.718% £260m index linked bond 2039	**329,209,400**	352,087,000
3.625% £250m bond 2029	**227,882,885**	241,636,194
1.803% £50m index linked bond 2042	**53,090,000**	50,994,121
5.875% $50m Australian dollar bond 2023	**27,345,781**	-
4.968% £90m bond 2033	**86,275,785**	-
	2,220,716,369	2,244,143,176

The fair values for all bonds have been calculated either by discounting the expected future cash flows at interest rates prevailing for a comparable maturity period for each instrument and adjusting for own and counter-party credit risk or by reference to quoted prices in active markets for identical assets or liabilities that the company can access at the measurement date.

Notes to the financial statements

for the year ended 31 March 2014 (continued)

9. Financial instruments

The interest rate risk profile of the company's financial liabilities at 31 March 2014 is below. This includes interest payable in the year as well as the principal repayments. It is assumed that LIBOR and indexation remain constant at the year end position.

Year ended 31 March 2014

	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
Fixed rate							
Fixed rate sterling bonds - held at fair value	76.2	76.2	76.2	76.2	500.9	1,470.8	2,276.5
Fixed rate US dollar bonds - held at amortised cost	11.3	11.3	11.3	11.3	11.3	323.7	380.2
Fixed rate AU dollar bonds held at fair value	2.0	2.0	2.0	2.0	2.0	42.5	52.5
	89.5	**89.5**	**89.5**	**89.5**	**514.2**	**1,837.0**	**2,709.2**
Floating rate							
Index linked sterling bonds - held at fair value	8.5	8.5	8.5	8.5	8.5	485.6	528.1
Index linked sterling bonds - held at amortised cost	0.9	0.9	0.9	0.9	0.9	74.7	79.2
Index linked US dollar bonds - held at fair value	1.1	1.1	1.1	1.1	1.1	79.1	84.6
	10.5	**10.5**	**10.5**	**10.5**	**10.5**	**639.4**	**691.9**

Year ended 31 March 2013

	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
Fixed rate							
Fixed rate sterling bonds - held at fair value	71.7	71.7	71.7	71.7	496.5	1,359.8	2,143.1
Fixed rate US dollar bonds - held at amortised cost	11.4	11.4	11.4	11.4	11.4	336.1	393.1
	83.1	**83.1**	**83.1**	**83.1**	**507.9**	**1,695.9**	**2,536.2**
Floating rate							
Index linked sterling bonds - held at fair value	8.0	8.0	8.0	8.0	8.0	465.5	505.5
Index linked sterling bonds - held at amortised cost	0.9	0.9	0.9	0.9	0.9	71.8	76.3
Index linked US dollar bonds - held at fair value	1.1	1.1	1.1	1.1	1.1	77.6	83.1
	10.0	**10.0**	**10.0**	**10.0**	**10.0**	**614.9**	**664.9**

Notes to the financial statements
for the year ended 31 March 2014 (continued)

9. Financial instruments (continued)

Financial risk management

The objectives when managing capital are to safeguard the Yorkshire Water Securitised Group's (the Group) ability to continue as a going concern in order to provide benefits to stakeholders and returns to shareholders and to maintain an optimal capital structure. In order to do this, the company will consider the amount of debt and assets held and their liquidity.

When monitoring capital risk, the company considers its gearing and the ratio of net debt to Regulatory Capital Value (RCV).

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

The company is exposed to foreign exchange risk arising from the raising of US and Australian dollar bonds. However the proceeds of the USD bond issuance in December 2011 and January 2012 and those of the Australian Dollar bond issuance in April 2013 were immediately lent on to Yorkshire Water Services Limited with the same coupon and maturity dates. Any foreign exchange exposure is therefore eliminated against an equal and opposite exposure on trade and other receivables.

Interest rate risk
The company's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group uses interest rate swap contracts to hedge these exposures where appropriate.

Liquidity risk
Liquidity risk is the risk that the Group will not have the level of liquid funding available to meet its requirements. Maintaining an inadequate amount of liquidity and being unable to access the debt markets when required exposes the Group to the risk of being unable to finance its functions, whilst maintaining excess liquidity potentially exposes the Group to the risk of inefficient funding costs.

The Group looks to manage its liquidity by ensuring debt is held with a range of durations and the maturity profile is actively managed by the Group's treasury function. Existing bank covenants require the Group to keep a combination of available cash and banking facilities sufficient to cover anticipated capital expenditure, operating costs and interest costs for the succeeding 12 months. This is a rolling requirement. The Group extend the requirement to cover all other future outgoings. Further facilities are not expected to be required within the next year to comply with the above policy.

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

3.18% guaranteed bonds 2018
These bonds are repayable in one instalment on 13 December 2018. The interest is charged at 3.18%.

3.18% guaranteed bonds 2019
These bonds are repayable in one instalment on 5 January 2019. The interest is charged at 3.18%.

3.77% guaranteed bonds 2021
These bonds are repayable in one instalment on 13 December 2021. The interest is charged at 3.77%.

Notes to the financial statements

for the year ended 31 March 2014 (continued)

9. Financial instruments (continued)

3.77% guaranteed bonds 2022
These bonds are repayable in one instalment on 5 January 2022. The interest is charged at 3.77%.

5.07% guaranteed bonds 2022
These bonds are repayable in one instalment on 5 January 2022. The interest is charged at 5.07%.

3.87% guaranteed bonds 2023
These bonds are repayable in one instalment on 13 December 2023. The interest is charged at 3.87%.

3.87% guaranteed bonds 2024
These bonds are repayable in one instalment on 5 January 2024. The interest is charged at 3.87%.

2.16% index linked guaranteed bonds 2041
These bonds are repayable in one instalment on 13 December 2019. The interest is charged at 2.16% multiplied by an index ratio and the principal amount is increased semi-annually in line with the retail price index.

6.00% guaranteed bonds 2019
These bonds are repayable in one sum on 21 August 2019. Interest is charged at 6.00%.

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.

3.625% guaranteed bonds 2029
These bonds are repayable in one instalment on 1 August 2029. The interest is charged at 3.625%.

1.803% index linked guaranteed bonds 2042
These bonds are repayable in one instalment on 22 May 2042. The interest is charged at 1.803% multiplied by an index ratio and the principal amount is increased semi-annually in line with the retail price index.

6.00% index linked guaranteed bond 2017
The bond is repayable in one sum on 21 August 2017. The interest is charged at 6.00%.

5.875% guaranteed bonds 2023
These bonds are repayable in one instalment on 26 April 2023. The interest is charged at 5.875%.

4.968% guaranteed bonds 2033
These bonds are repayable in one instalment on 13 June 2033. The interest is charged at 4.968%.

Notes to the financial statements
for the year ended 31 March 2014 (continued)

10. Share capital

		Allotted
	No.	£
Ordinary shares of £1 each at 1 April 2013 and 31 March 2014	1	**1**

The shares were allotted at par value on 17 November 2008.

11. 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 and tax resident in the UK.

Kelda Eurobond Co Limited, a company registered in England and Wales, is the parent undertaking of the largest UK group to consolidate these financial statements in the UK. Kelda Finance (No. 1) Limited, a company registered in England and Wales, is the parent undertaking of the smallest UK group to consolidate these financial statements.

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

12. 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.

13. Related parties

Loans to the immediate parent company carry interest at market rates incurred by the company when raising the funds externally (note 6).

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

	2014	2013
	£	£
Loans to parent company:		
Brought forward	**2,046,182,850**	1,715,852,163
Loans advanced during the year	**123,141,509**	296,301,358
Interest charged	**43,857,733**	121,858,464
Interest paid	**(98,149,096)**	(87,829,135)
	2,115,032,996	2,046,182,850