Yorkshire Water Services Bradford Finance Limited

Annual report and financial statements

Registered number MC-219838

Year ended 31 March 2017

Contents

Directors and advisers

Directors

R Flint
C Forrest
E M Barber

Company secretary

C Forrest

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
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29 Wellington Street
Leeds
LS1 4DL

Registered office

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

Bankers

National Westminster Bank
Leeds City Office
8 Park Row
Leeds
LS1 5HD

Strategic report

The directors present their strategic report on the company for the year ended 31 March 2017.

Principal activities and business review

The company's principal activity continues to be 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. The WBS created the Yorkshire Water financing group, which includes Yorkshire Water Services Bradford Finance Limited.

Performance and future outlook

During the year to 31 March 2017 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 balance sheet strength being underpinned by the performance of its bonds.

Principal risks and uncertainties

The risk which the company are exposed to include interest rate, credit, liquidity and market risk in relation to financial instruments. The principal risks and uncertainties of Yorkshire Water are disclosed in that company's financial statements.

Key performance indicators

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

Financial risk management

The objectives when managing capital are to safeguard the Yorkshire Water Securitised 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 ('RCV').

Centrally managed funds are invested entirely in short term instruments with institutions having a long term rating of at least A-/A-/A3 and a short term rating of at least A1/F1/P1 issued by Standard and Poor's, Fitch and Moody's respectively.

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

On behalf of the board

C Forrest
Director
13 July 2017

Directors' report

The directors present their annual report and audited financial statements of the company for the year ended 31 March 2017.

Results

The company's profit for the financial year is £121,000 (2016: £121,000).

Proposed dividend

The directors do not recommend the payment of a final dividend (2016: £nil).

Future developments

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

Financial instruments

The company is exposed to interest rate, credit, liquidity and market risk in relation to financial instruments. These risks are discussed in detail in note 13 to these financial statements.

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:

R Flint
C Forrest
E M Barber

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.

Statement of disclosure of information to independent 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

Deloitte LLP will be appointed the auditors of the ultimate Parent undertaking, Kelda Holdings Limited, and, pursuant to section 487 of the Companies Act 2006, will be appointed auditors of the Company with respect to the year ending 31 March 2018.

Directors' report *(continued)*

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the company financial statements in accordance with United Kingdom Accounting Standards for the Common Terms Agreement dated 24 July 2009 between the directors and Deutsche Bank AG for the provision of audited financial statements. The directors must not approve the financial statements unless they are satisfied that the financial statements 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 the financial statements, the directors are responsible for:

- selecting suitable accounting policies and then applying them consistently;
- stating whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- making judgements and accounting estimates that are reasonable and prudent; and
- preparing 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. The directors 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.

On behalf of the board

C Forrest
Director
13 July 2017

Independent auditors' report to the directors of Yorkshire Water Services Bradford Finance Limited

Report on the financial statements

Opinion on financial statements

In our opinion, Yorkshire Water Services Bradford Finance 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 2017 and of its profit for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

What we have audited

The financial statements, included within the Annual report and financial statements (the "Annual Report"), comprise:

- the balance sheet as at 31 March 2017;
- the profit and loss account 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 the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law.

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.

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 opinion, has been prepared for and only for the company's directors as a body for the Common Terms Agreement dated 24 July 2009 between the directors and Deutsche Bank AG for the provision of audited financial statements in accordance with our engagement letter dated 17 November 2016 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.

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.

Independent auditors' report to the directors of Yorkshire Water Services Bradford Finance Limited *(continued)*

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 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 behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Central Square
29 Wellington Street
Leeds
LS1 4DL
13 July 2017

Profit and Loss Account
for the year ended 31 March 2017

	Note	**2017** **£'000**	2016 £'000
Interest receivable and similar income	*5*	**179,960**	129,039
Interest payable and similar charges	*6*	**(179,809)**	(128,888)
Profit on ordinary activities before taxation		**151**	151
Tax on profit on ordinary activities	*7*	**(30)**	(30)
Profit for the financial year		**121**	121

There are no other items of comprehensive income or expense in the current or prior year therefore no separate statement of comprehensive income has been presented.

Balance Sheet
as at 31 March 2017

	Note	**2017**	2016
		£'000	£'000
Current assets			
Debtors (including £2,623,286,000 (2016: £2,294,652,000) due after more than one year)	*8*	**2,668,395**	2,337,923
Cash at bank and in hand		**3**	3
		2,668,398	2,337,926
Creditors: amounts falling due within one year	*9*	**(45,278)**	(43,665)
Net current assets		**2,623,120**	2,294,261
Total assets less current liabilities		**2,623,120**	2,294,261
Creditors: amounts falling due after more than one year	*10*	**(2,622,502)**	(2,293,764)
Net assets		**618**	497
Capital and reserves			
Called up share capital	*12*	**-**	-
Profit and loss account		**618**	497
Total shareholders' funds		**618**	497

These financial statements on pages 7 to 21 were approved by the board of directors on 13 July 2017 and were signed on its behalf by:

C Forrest
Director
Company registered number: MC-219838

Statement of Changes in Equity
for the year ended 31 March 2017

	Called up share capital £'000	**Profit and loss account £'000**	**Total shareholders' funds £'000**
Balance at 1 April 2016	-	497	497
Total comprehensive income for the year			
Profit for the financial year	-	121	121
Total comprehensive income for the financial year	-	121	121
Balance at 31 March 2017	**-**	**618**	**618**

	Called up Share capital £'000	**Profit and loss account £'000**	**Total shareholders' funds £'000**
Balance at 1 April 2015	-	376	376
Total comprehensive income for year			
Profit for the financial year	-	121	121
Total comprehensive income for the financial year	-	121	121
Balance at 31 March 2016	**-**	**497**	**497**

Notes to the financial statements

1 Accounting policies

Yorkshire Water Services Bradford Finance Limited (the "Company") is a private company incorporated in the Cayman Islands and resident for tax in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). 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"), and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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;
- The effects of new but not yet effective IFRSs; and
- 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. No new accounting standards that are effective for the year ended 31 March 2017, have had a material impact on the company.

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 17.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Measurement convention

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

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, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Other debtors

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.

Other creditors

Other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. .

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

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.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

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.

Impairment

Financial assets (including 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 to the financial statements *(continued)*

1 Accounting policies *(continued)*

Expenses

Interest receivable and interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions. Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established.

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.

2 Expenses and auditors' remuneration

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

3 Staff numbers and costs

The company did not have any employees during the year ending 31 March 2017 (2016: nil).

4 Directors' remuneration

The directors did not receive any emoluments in respect of their services to Yorkshire Water Services Bradford Finance Limited (2016: £nil).

5 Interest receivable and similar income

	2017	2016
	£'000	£'000
Interest income on loans nominated as fair value through profit and loss	**112,600**	109,186
Movement in fair value of fixed rate inter-company loans	**67,360**	19,853
Total interest receivable and similar income	**179,960**	129,039

Interest receivable and similar income includes income from group undertakings of £112,600,000 (2016: £109,186,000).

Notes to the financial statements *(continued)*

6 Interest payable and similar charges

	2017	2016
	£'000	£'000
RPI uplift on index-linked bonds	**10,996**	5,539
Amortisation of issue costs	**1,329**	153
Interest payable of fixed rate US dollar bonds	**8,800**	11,276
Interest payable of fixed rate sterling bonds	**78,262**	79,270
Interest payable on index linked sterling bonds	**11,077**	10,812
Interest payable on fixed rate Australian dollar bonds	**1,986**	1,986
Movement in fair value of fixed rate US dollar bonds	**33,848**	17,427
Movement in fair value of fixed rate sterling bonds	**29,921**	1,359
Movement in fair value of fixed rate Australian dollar bonds	**3,590**	1,066
Total other interest payable and similar charges	**179,809**	128,888

Interest payable and similar charges includes interest payable and similar on bank loans and overdrafts of £nil (2016: £nil) and on all other loans of £nil (2016: £nil). Of the above amount £nil (2016: £nil) was payable to group undertakings.

Certain fixed rate dollar and sterling bonds 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.

7 Tax on profit on ordinary activities

Total tax expense recognised in the profit and loss account

	2017	2016
	£'000	£'000
Current tax		
Current tax expense on income for the year	**30**	30
Tax on profit on ordinary activities	**30**	30

The corporation tax rate of 20%, enacted in the Finance Act 2013 and applicable from 1 April 2015, has been used in preparing these financial statements.

The Finance (No 2) Act 2015 will reduce the corporation tax rate to 19% from 1 April 2017 and the Finance Act 2016 will reduce the rate further to 17% from 1 April 2020. These reductions to the corporation tax rate were substantively enacted on 25 October 2015 and 6 September 2016 respectively. The tax charge for the year is the same as (2016: the same as) the standard rate of corporation tax in the UK of 20% (2016: 20%).

Reconciliation of effective tax rate

	2017	2016
	£'000	£'000
Profit for the financial year	**121**	121
Total tax expense	**30**	30
Profit for the financial year excluding taxation	**151**	151
Tax using the UK corporation tax rate of 20% (2016: 20%)	**30**	30
Total tax expense	**30**	30

Notes to the financial statements *(continued)*

8 Debtors

	2017 £'000	2016 £'000
Amounts owed by group undertakings	**2,668,395**	2,337,923
	2,668,395	2,337,923
Due within one year	**45,109**	43,271
Due after more than one year	**2,623,286**	2,294,652

The amounts owed by group undertakings are unsecured, bear interest at varying nominal rates and have contractual repayment dates.

9 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Amounts owed to group undertakings	**3**	3
Other creditors	**45,109**	43,526
Corporation tax	**166**	136
	45,278	43,665

Amounts owed to group undertakings are unsecured, bear interest at a nominal rate and are repayable on demand.

10 Creditors: amounts falling due after more than one year

	2017 £'000	2016 £'000
Interest-bearing loans and borrowings (see note 11)	**2,622,502**	2,293,764
	2,622,502	2,293,764

11 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2017 £'000	2016 £'000
Creditors falling due after more than one year		
Interest-bearing loans and borrowings	**2,622,502**	2,293,764
	2,622,502	2,293,764

Included with interest-bearing loans and borrowings are amounts repayable after five years by instalments and otherwise than by instalments of £nil (2016: £nil) and £1,867,932,000 (2016: £1,728,223,000) respectively. Borrowings are secured against the assets of the Yorkshire Water financing group.

Notes to the financial statements *(continued)*

11 Interest-bearing loans and borrowings *(continued)*

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value 2017	Carrying amount 2017 £'000	Face value 2016	Carrying amount 2016 £'000
Guaranteed bonds	**USD**	**3.18%**	**2018**	**$30m**	**24,015**	$30m	21,263
Guaranteed bonds	**USD**	**3.18%**	**2019**	**$15m**	**12,005**	$15m	10,633
Guaranteed bonds	**USD**	**3.77%**	**2021**	**$115m**	**92,211**	$115m	83,468
Guaranteed bonds	**USD**	**3.77%**	**2022**	**$40m**	**32,075**	$40m	29,044
Guaranteed bonds	**USD**	**5.07%**	**2022**	**$75m**	**60,084**	$75m	54,321
Guaranteed bonds	**USD**	**3.87%**	**2023**	**$150m**	**120,859**	$150m	110,576
Guaranteed bonds	**USD**	**3.87%**	**2024**	**$30m**	**24,166**	$30m	22,115
Indexed linked guaranteed bonds[1]	**GBP**	**2.16%**	**2041**	**£50m**	**55,568**	£50m	54,153
Guaranteed bonds	**GBP**	**6.00%**	**2019**	**£275m**	**274,452**	£275m	274,208
Guaranteed bonds	**GBP**	**6.375%**	**2039**	**£300m**	**304,107**	£300m	304,485
Indexed linked guaranteed bonds	**GBP**	**2.718%**	**2039**	**£260m**	**336,095**	£260m	328,482
Guaranteed bonds	**GBP**	**3.625%**	**2029**	**£250m**	**288,598**	£250m	262,940
Indexed linked guaranteed bonds	**GBP**	**1.803%**	**2042**	**£50m**	**55,244**	£50m	53,878
Guaranteed bonds	**GBP**	**6.00%**	**2017**	**£250m**	**259,728**	£250m	259,437
Guaranteed bonds	**GBP**	**3.75%**	**2023**	**£200m**	**190,519**	£200m	189,070
Guaranteed bonds	**AUD**	**5.875%**	**2023**	**$50m**	**33,090**	£50m	29,476
Guaranteed bonds	**GBP**	**4.968%**	**2033**	**£90m**	**106,486**	£90m	104,078
Guaranteed bonds	**GBP**	**3.54%**	**2029**	**£90m**	**104,207**	£90m	102,137
Guaranteed bonds	**GBP**	**2.030%**	**2028**	**£60m**	**59,762**	-	-
Guaranteed bond	**GBP**	**2.140%**	**2031**	**£50m**	**49,799**	-	-
Guaranteed bonds	**GBP**	**2.210%**	**2033**	**£50m**	**49,798**	-	-
Guaranteed bonds	**GBP**	**2.300%**	**2036**	**£40m**	**39,837**	-	-
Guaranteed bonds	**GBP**	**2.300%**	**2036**	**£50m**	**49,797**	-	-
					2,622,502		2,293,764

[1]Amortising - repayments commencing 2032

12 Called up share capital

	2017 £'000	2016 £'000
Allotted, called up and fully paid		
1 (2016: 1) at £1 each (2016: £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.

Notes to the financial statements *(continued)*

13 Financial instruments

13 ***(a) Fair values of financial instruments***

The table below analyses financial instruments, into a fair value hierarchy based on the valuation technique used to determine fair value.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Financial assets or liabilities measured at amortised costs and whose carrying value are a reasonable approximation of fair value have not been disclosed in the fair value hierarchy below as there is no requirement to do so. The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the balance sheet are as follows:

	Carrying value 2017 £'000	**Fair value 2017 £'000**	**Level 1 2017 £'000**	**Level 2 2017 £'000**	Carrying value 2016 £'000	Fair value 2016 £'000	Level 1 2016 £'000	Level 2 2016 £'000
Financial liabilities designated as fair value through profit or loss (note 6)								
3.18% $30m bond 2018	**24,015**	**24,015**	**-**	**24,015**	21,263	21,263	-	21,263
3.18% $15m bond 2019	**12,005**	**12,005**	**-**	**12,005**	10,633	10,633	-	10,633
3.77% $115m bond 2021	**92,211**	**92,211**	**-**	**92,211**	83,468	83,468	-	83,468
3.77% $40m bond 2022	**32,075**	**32,075**	**-**	**32,075**	29,044	29,044	-	29,044
5.07% $75m bond 2022	**60,084**	**60,084**	**-**	**60,084**	54,321	54,321	-	54,321
3.87% $150m bond 2023	**120,859**	**120,859**	**-**	**120,859**	110,576	110,576	-	110,576
3.87% $30m bond 2024	**24,166**	**24,166**	**-**	**24,166**	22,115	22,115	-	22,115
5.875% AUD$50m bond 2023	**33,090**	**33,090**	**-**	**33,090**	29,476	29,476	-	29,476
3.625% £250m bond 2029	**288,598**	**288,598**	**288,598**	**-**	262,940	262,940	262,940	-
4.968% £90m bond 2033	**106,486**	**106,486**	**-**	**106,486**	104,078	104,078	-	104,078
3.54% £90m bond 2029	**104,207**	**104,207**	**-**	**104,207**	102,137	102,137	-	102,137
Total financial liabilities at fair value through profit or loss	**897,796**	**897,796**	**288,598**	**609,198**	830,051	830,051	262,940	567,111
Financial liabilities measured at amortised cost								
6.000% £275m bond 2019	**274,452**	**308,336**	**308,336**	**-**	274,208	314,449	314,449	-
6.375% £300m bond 2039	**304,107**	**485,904**	**485,904**	**-**	304,485	421,155	421,155	-
6.000% £260m bond 2017	**259,728**	**260,681**	**260,681**	**-**	259,437	197,828	197,828	-
3.75% £200m bond 2023	**190,519**	**215,936**	**215,936**	**-**	189,070	202,944	202,944	-
2.16% £50m index linked bond 2041	**55,568**	**55,801**	**-**	**55,801**	54,153	54,393	-	54,393
2.718% £260m index linked bond 2039	**336,095**	**450,154**	**450,154**	**-**	328,482	383,833	383,833	-
1.803% £50m index linked bond 2042	**55,244**	**55,528**	**-**	**55,528**	53,878	54,177	-	54,177
2.030% £60m bond 2028	**59,762**	**59,762**	**-**	**59,762**	-	-	-	-
2.140% £50m bond 2031	**49,799**	**49,799**	**-**	**49,799**	-	-	-	-
2.210% £50m bond 2033	**49,798**	**49,798**	**-**	**49,798**	-	-	-	-
2.300% £40m bond 2036	**39,837**	**39,837**	**-**	**39,837**	-	-	-	-
2.300% £50m bond 2036	**49,797**	**49,797**	**-**	**49,797**	-	-	-	-
Total financial liabilities measured at amortised cost	**1,724,706**	**2,081,333**	**1,721,011**	**360,322**	1,463,713	1,628,779	1,520,209	108,570
Total financial instruments	**2,622,502**	**2,979,129**	**2,009,609**	**969,520**	2,293,764	2,458,830	1,783,149	675,681

Notes to the financial statements *(continued)*

13 Financial instruments *(continued)*

13 *(a) Fair values of financial instruments* *(continued)*

The following table show the valuation techniques used for Level 2 fair values.

Class of financial instruments measured at fair value	**Valuation technique**
Bonds	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.
Financial instruments not measured at fair value	
Bonds	The fair values of the bonds have been determined by reference to quoted prices in active markets for identical assets or liabilities that the company can access at the measurement date. The fair values of the bonds have been determined by reference to market values for similar instruments.

13 *(b) Credit risk*

Financial risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

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

13 *(c) Liquidity risk*

Financial risk management

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.

Notes to the financial statements *(continued)*

13 Financial instruments *(continued)*

13 *(c) Liquidity risk* *(continued)*

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

	2017						2016					
	Carrying amount £'000	**Contract-ual cash flows £'000**	**1 year or less £'000**	**1 to <2years £'000**	**2 to <5years £'000**	**5years and over £'000**	Carrying amount £'000	Contract-ual cash flows £'000	1 year or less £'000	1 to <2years £'000	2 to <5years £'000	5years and over £'000
Non-derivative financial liabilities												
Fixed rate sterling bonds	**1,528,098**	**2,194,698**	**310,833**	**59,847**	**411,505**	**1,412,513**	1,496,355	2,269,545	74,847	310,833	428,005	1,455,860
Fixed rate starling bond held at amortised cost	**248,993**	**337,821**	**5,447**	**5,447**	**16,340**	**310,587**	-	-	-	-	-	-
Fixed rate US dollar bonds	**365,414**	**345,498**	**11,340**	**39,351**	**174,236**	**120,571**	331,420	356,838	11,340	11,340	60,232	273,926
Fixed rate AU dollar bonds	**33,090**	**46,460**	**1,986**	**1,986**	**5,957**	**36,531**	29,476	48,446	1,986	1,986	5,957	38,517
Index linked sterling bonds held at fair value	**336,095**	**508,129**	**8,534**	**8,534**	**25,601**	**465,460**	328,482	516,663	8,534	8,534	25,601	473,994
Index linked sterling bonds held at amortised cost	**110,812**	**160,121**	**2,125**	**2,125**	**6,374**	**149,497**	108,030	162,246	2,125	2,125	6,374	151,622
	2,622,502	**3,592,727**	**340,265**	**117,290**	**640,013**	**2,495,159**	2,293,764	3,353,738	98,832	334,818	526,169	2,393,919

Notes to the financial statements *(continued)*

13 Financial instruments *(continued)*

13 *(d) Market risk*

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments

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.

Market risk - Interest rate risk

Profile

At the balance sheet date the interest rate profile of the Company's interest-bearing financial instruments was:

	2017	2016
	£'000	£'000
Fixed rate instruments		
Financial liabilities	**2,175,595**	1,857,252
	2,175,595	1,857,252
Variable rate instruments		
Financial liabilities	**446,907**	436,512
	446,907	436,512

Fixed rate instruments include borrowings which have a fixed interest rate through to maturity. Variable rate instruments include borrowings which are adjusted for movements in the Retail Prices Index (RPI) with reference to a base RPI established at trade date. The amounts disclosed are the carrying values of borrowings.

Sensitivity analysis

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. The proceeds of bond issuances have been lent on to Yorkshire Water. Any interest rate risk exposure is therefore eliminated against an equal and opposite exposure on trade and other receivables.

13 *(e) Capital management*

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide benefits to stake-holders, returns to owners 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 interest cover measures and its gearing expressed as the ratio of net debt to RCV.

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.

Notes to the financial statements *(continued)*

14 Contingencies

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.

15 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 sale transactions were entered into between the company and any other group companies.

	2017	2016
	£'000	£'000
Loans to group undertakings:		
Brought forward	**2,337,923**	2,323,013
Loans advanced/ (repaid) during the year	**248,949**	(149)
Interest charged and movement in fair value	**179,960**	129,039
Interest paid	**(98,437)**	(113,980)
	2,668,395	2,337,923

16 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 and tax resident in the UK. 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.

17 Accounting estimates and judgements

The preparation of financial statements with FRS 101 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.