

Registered no: 8270049

# **Kelda Finance (No. 3) PLC**

**Annual report and financial statements  
for the 22 weeks ended 31 March 2013**

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Registered No: 8270049

## **Directors and advisors**

For the 22 week period ended 31 March 2013

### **Directors**

EM Barber  
R Flint  
S D McFarlane

### **Company secretary**

S D McFarlane

### **Independent auditors**

PricewaterhouseCoopers LLP  
Benson House  
33 Wellington Street  
Leeds  
LS1 4JP

### **Registered office**

Western House  
Halifax Road  
Bradford  
West Yorkshire  
BD6 2SZ

### **Bankers**

The Royal Bank of Scotland  
P O Box 39952  
2 ½ Devonshire Square  
London  
EC2M 4XJ

## **Directors' report**

**For the 22 week period ended 31 March 2013**

The directors present their report and audited financial statements for the 22 week period ended 31 March 2013. This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

### **Incorporation**

The company was incorporated on 26 October 2012.

### **Results and dividends**

The income statement for the period is set out on page 5. The directors do not recommend the payment of any dividends.

### **Principal activities, review of the business and future developments**

The principal activity of the company during the 22 week period is that of raising finance for use in the business of the Kelda Holdings Group.

### **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 Kelda Holdings Group are disclosed in that company's consolidated financial statements.

### **Financial risks**

The financial risks facing the company are set out on page 12 in note 10 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 period and up to the date of signing of the financial statements:

R Flint	(appointed 26 October 2012)
E M Barber	(appointed 26 October 2012)
S D McFarlane	(appointed 26 October 2012)

The Group had directors' and officers' liability insurance in place throughout the financial year and up to the date of approval of the financial statements. 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' statement as to disclosure of information to auditors**

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

### **Independent auditors**

PricewaterhouseCoopers LLP were appointed auditors during the period and have indicated their willingness to continue in office. A resolution concerning their reappointment will be proposed at the Annual General Meeting.

## Directors' report

For the 22 week period ended 31 March 2013

### Going concern

The directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Kelda Holdings Limited. The directors have received confirmation that Kelda Holdings Limited intend to support the company for at least one year after these financial statements are signed.

By order of the board

  
S D McFarlane  
Director  
11 July 2013

## Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in 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 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  
11 July 2013

## **Independent auditors' report to the members of Kelda Finance (No. 3) PLC**

We have audited the financial statements of Kelda Finance (No. 3) PLC for the 22 week period ended 31 March 2013 which comprise the income statement, the balance sheet, the statement of changes in equity, the statement of cash flows, the accounting policies and the related notes. The financial reporting framework that has been applied in the preparation of these financial statements is International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

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

This report, including the 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.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its loss and cash flows for the 22 week period then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the European Union.
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

## **Independent auditors' report** to the members of Kelda Finance (No. 3) PLC

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Richard Bunter (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Leeds  
11 July 2013

The maintenance and integrity of the Kelda website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



**Income statement**

for the 22 week period ended 31 March 2013

	<b>22 week period ended 31 March 2013</b>
<i>Note</i>	<b>£</b>
Administration costs	(52,800)
Other operating income	19,750
<b>Operating loss</b>	<u>(33,050)</u>
Investment income	5 1,701,284
Finance costs	5 (1,765,724)
Loss before income tax	<u>(97,490)</u>
Income tax	6 -
<b><i>Loss for the period</i></b>	<u>(97,490)</u>

All activities relate to continuing operations.

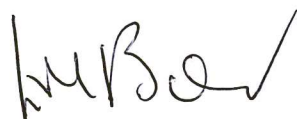
The loss for the period is equivalent of comprehensive income.

**Balance sheet**

as at 31 March 2013

	<i>Note</i>	<i>As at 31 March 2013 £</i>
<b>Assets</b>		
<b>Non-current assets</b>		
Loans to parent company	7	197,500,000
<b>Current assets</b>		
Debtors	7	1,701,284
Cash and cash equivalents		8,181
<b>Total assets</b>		<u>199,209,465</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	8	(3,045,875)
		<u>(3,045,875)</u>
<b>Non-current liabilities</b>		
Borrowings	9	(196,248,580)
<b>Total liabilities</b>		<u>(199,294,455)</u>
<b>Net liabilities</b>		<u>(84,990)</u>
<b>Capital and reserves</b>		
Share capital	11	12,500
Accumulated loss		(97,490)
<b>Total equity</b>		<u>(84,990)</u>

The financial statements on pages 7 to 15 were approved by the board of directors and signed on its behalf by:



E M Barber  
Director  
11 July 2013

Registered no. 8270049

## Statement of changes in equity

for the 22 week period ended 31 March 2013

	<i>Share capital</i>	<i>Accumulated loss</i>	<i>Total equity</i>
	£	£	£
On incorporation	12,500	-	12,500
Loss for period	-	(97,490)	(97,490)
At 31 March 2013	<b>12,500</b>	<b>(97,490)</b>	<b>(84,990)</b>

## Statement of cash flows

For the 22 week period ended 31 March 2013

	<i>2013</i>
	£
<b>Cash flows used in operating activities</b>	<b>(33,050)</b>
Loans granted to parent company (net of fees)	(196,419,250)
<b>Cash flows used in investing activities</b>	<b>(196,419,250)</b>
Share capital injection	12,500
Proceeds from issuance of bonds (net of fees)	196,447,981
<b>Cash flows from financing activities</b>	<b>196,460,481</b>
<b>Net increase in cash and cash equivalents</b>	<b>8,181</b>
Cash and cash equivalents at beginning of period	-
<b>Cash and cash equivalents at end of period</b>	<b>8,181</b>

## Notes to the financial statements

for the 22 week period ended 31 March 2013

### 1. Authorisation of financial statements

The company's financial statements for the 22 week period ended 31 March 2013 were authorised for issue by the board of directors on 11 July 2013 and the balance sheet was signed on the board's behalf by E M Barber, Director.

### 2. General information

Kelda Finance (No. 3) PLC raises finance for use in the business of Kelda Holdings Group. The company is a public listed company, incorporated and domiciled in the United Kingdom. The address of the registered office is Western House, Halifax Road, Bradford, West Yorkshire, England, BD6 2SZ.

### 3. Accounting policies

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

The company financial statements have been prepared in accordance with the Companies Act 2006, and 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 period ended 31 March 2013.

The company's financial statements are prepared on a going concern basis, under the historical cost convention in compliance with all applicable United Kingdom accounting standards (Financial Reporting Standards 'FRS', Statement of Standard Accounting Practice 'SSAP' and Urgent Issues Task Force abstract 'UITF').

#### ***Going concern***

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Kelda Holdings Limited. The directors have received confirmation that Kelda Holdings Limited intend to support the company for at least one year after these financial statements are signed.

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

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

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

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

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

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

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

##### ***Principal area 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.

## Notes to the financial statements

for the 22 week period ended 31 March 2013

### 3. Accounting policies (continued)

#### *New standards and interpretations*

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 April 2012 and do not have a material impact on the company:

- Amendment to IFRS 7 'Financial instruments: Disclosures' on transfers of assets (effective 1 July 2012)

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

- Amendment to IFRS 7 'Financial instruments disclosures – offsetting financial assets and liabilities'
- Amendment to IFRS 1 'First time adoption on fixed dates and hyperinflation'
- Amendment to IAS 12 'Income taxes – deferred tax'
- Amendment to IAS 1 'Financial statement presentation – other comprehensive income'
- Amendment to IAS 32 'Financial instruments presentation - offsetting financial assets and liabilities'
- Amendment to IFRS 1 'First time adoption – government loans'
- IFRS 9 'Financial instruments – classification and measurement'
- IFRS 10 'Consolidated financial statements'
- IFRS 11 'Joint arrangements'
- IFRS 12 'Disclosures of interests in other entities'
- Amendments to IFRS 10, 11 and 12 on transition guidance
- IAS 27 (revised) 'Separate financial statements'
- IAS 28 (revised) 'Associates and joint ventures'
- IFRIC 20 'Stripping costs in the production phase of a surface mine'
- Amendment to IAS 19 'Employee benefits'
- IFRS 13 'Fair value measurement' annual improvements 2011

The directors are still considering the implications of applying these standards and interpretations to the company's financial statements.

## Notes to the financial statements

for the 22 week period ended 31 March 2013 (continued)

### 4. Operating costs

Auditors' remuneration has been borne by Kelda Group Limited.

The directors did not receive any emoluments in respect of their services to Kelda Finance (No. 3) PLC. Key management costs are included in the Kelda Eurobond Limited financial statements.

The average number of persons employed by the company during the 22 week period was nil.

### 5. Finance costs

	<i>22 week period ended 31 March 2013 £</i>
<b>Finance costs:</b>	
5.75% £200.0m bond 2020	(1,701,370)
Amortisation of issue costs	(64,354)
	<u>(1,765,724)</u>
<b>Investment income:</b>	
From group undertakings	1,701,284
Net finance costs	<u>(64,440)</u>

### 6. Income tax

	<i>22 week period ended 31 March 2013 £</i>
<b>Current tax:</b>	
UK corporation tax on loss for the period	-
Adjustments in respect of previous periods	-
<b>Total current tax from continuing operations</b>	<u>-</u>

The tax for the period is higher than the standard rate of corporation tax in the UK of 24%. The differences are explained below:

	<i>22 week period ended 31 March 2013 £</i>
Loss from continuing operations before taxation	(97,490)
Tax on loss at standard UK rate of 24%	<u>(23,398)</u>
Group relief not paid for	<u>23,398</u>
	<u>-</u>

## Notes to the financial statements

for the 22 week period ended 31 March 2013 (continued)

### 7. Debtors

Amounts owed by parent company	2013 £
Receivable within one year	1,701,284
Receivable after more than one year	<u>197,500,000</u>
	<u>199,201,284</u>

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

All receivables are reviewed regularly to assess any associated credit risk. There are no significant concentrations of credit risk. 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 4 years.

### 8. Trade and other payables

	2013 £
Amounts owed to parent company	1,064,894
Amounts owed to other group undertakings	15,856
Interest payable	1,701,370
Other creditors	<u>263,755</u>
	<u>3,045,875</u>

## Notes to the financial statements

for the 22 week period ended 31 March 2013 (continued)

### 9. Borrowings

	2013 Book value £
<b>Maturity profile</b>	
Wholly repayable after five years:	
5.75% £200.0m bond 2020	<u>196,248,580</u>

	2013 Fair value £
<b>Maturity profile</b>	
Wholly repayable after five years:	
5.75% £200.0m bond 2020	<u>201,500,000</u>

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

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

#### *5.75% £200.0m guaranteed bond 2020*

These bonds are repayable in one instalment on 17 February 2020. Interest is charged at 5.75%.

### 10. Financial instruments

The interest rate risk profile of the company's financial liabilities at 31 March 2013 is below. This includes interest payable in the period as well as the principal repayments. It is assumed that LIBOR and indexation remain constant at the year end position.

	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m	Total £m
<b>Fixed rate</b>							
5.75% guaranteed bond 2020	11.5	11.5	11.5	11.5	11.5	221.7	279.2

#### 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 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.

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



## Notes to the financial statements

for the 22 week period ended 31 March 2013 (continued)

### 11. Share capital

	2013 Authorised £	
Ordinary shares of £1 each		<u>12,500</u>
	Allotted and called up	
	No.	£
25% paid up ordinary shares of £1 each - on incorporation	<u>50,000</u>	<u>12,500</u>
25% paid up ordinary shares of £1 each - at 31 March 2013	<u>50,000</u>	<u>12,500</u>

The shares were allotted for par value on 26 October 2012.

### 12. Ultimate parent company

The company's immediate parent company is Kelda Finance (No. 2) Limited. The company's ultimate parent company and controlling party is Kelda Holdings Limited, a company registered in Jersey.

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. 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.

### 13. Related parties

Loans to the immediate parent company carry interest at market rates incurred by the company when raising the funds externally, adjusted to reflect issuance costs (note 7).

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

	2013 £
<b>Loans to parent company:</b>	
Loans advanced during the period	197,500,000
Interest charged	<u>1,701,284</u>
	<u>199,201,284</u>

