Kelda Finance (No.3) PLC

Annual report and financial statements
Registered number 08270049
Year ended 31 March 2020

Contents

	Page:
Directors and advisers	1
Strategic report	2
Directors' report	3
Directors' responsibilities statement	4
Independent auditor's report to the members of Kelda Finance (No.3) PLC	5
Profit and loss account	8
Balance sheet	9
Statement of changes in equity	10
Notes to the financial statements	11

Directors and advisers

Directors

E M Barber
A L P Rabin
K O H Smith
A D Merrick

Company secretary

K O H Smith

Independent auditor

Deloitte LLP
Statutory Auditor
1 City Square
Leeds
LS1 2AL

Registered office

Western House
Halifax Road
Bradford
West Yorkshire
BD6 2SZ

Bankers

The Royal Bank of Scotland
London Corporate Service Centre
2nd Floor 280 Bishopsgate
London
EC2M 4RB

Strategic report

The directors present their strategic report on the company for the year ended 31 March 2020.

Principal activities, review of the business and future developments

The principal activity of the company continued to be that of raising finance for use in the business of the Kelda Holdings Limited group.

On 17th February 2020, the company settled the £200m guaranteed bond with proceeds from the repayment of an intercompany loan from Kelda Finance (No.2) Limited. As at the year end, the company has no outstanding assets or liabilities other than cash balances.

The company has ceased to operate and will be wound up in the near future.

Performance and future outlook

During the year to 31 March 2020 the company continued to focus on delivering excellent internal services and performed in line with management expectations.

The directors' intention is for the company to be wound up in the near future.

Key performance indicators

The directors do not consider the disclosure of key performance indicators to be applicable.

Principal risks and uncertainties

Following the cessation of trade, the directors do not consider there to be any principle risks or uncertainties.

Financial risk management

Risk management relating to the finance obligations of the company is managed as part of the overall financial risk management strategy of the Kelda Holdings Limited group and are discussed in the Kelda Holdings Limited Annual Report and Financial Statements (which does not form part of this report). The risks which the company are exposed to include interest rate, credit, liquidity and market risk in relation to financial instruments and are discussed in the directors' report.

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The directors consider that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and having regard (amongst other matters) to factors (a) to (f) of s172 Companies Act 2006, in the decisions taken during the year ended 31 March 2020. The company's principal activity is that of a financing company. It does not have employees, business relationships with suppliers, customers or others, and its operations do not impact on the community or the environment. Through their actions, the directors operate the company in a manner consistent with Kelda group's high standards of business conduct. The company's ultimate holding company is Kelda Holdings Limited, a copy of whose s172(1) Statement can be found in its 2020 annual report and financial statements. This statement sets out how the group's decisions and policies affect employees, customers and other stakeholders, suppliers and the impact of the group's operations on the community and the environment.

Approved by the board and signed on its behalf by:

E M Barber
Director

28 July 2020

Directors' report

The directors present their annual report and audited financial statements of the company for the year ended 31 March 2020.

Results

The company's result for the year is a profit after taxation of £3,252,000 (2019: loss of £425,000).

Proposed dividend

The directors do not recommend the payment of a dividend (2019: £nil).

Future developments

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

Financial risk management

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.

Going concern

As explained in note 1, the company repaid on maturity the £200m guaranteed bond with proceeds from the repayment of an intercompany loan from Kelda Finance (No.2) Limited and has ceased to operate and the directors do not consider that the company will carry on any business again in the future. As such the financial statements have been prepared on a basis other than that of a going concern.

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 (resigned 12 September 2019)
E M Barber
A L P Rabin
A D Merrick (appointed 1 June 2019)
R O'Toole (resigned 10 July 2019)
K O H Smith

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.

Audit Committee

In accordance with the Disclosure and Transparency Rules (DTR), the board of directors established an Audit Committee on 21 March 2018 to discharge the functions set out in DTR 7.1.3. From 1 April 2019 to 9 July 2019, the committee members were Anthony Rabin and Ray O'Toole, both independent directors. The committee was chaired during this time by Anthony Rabin. From 10 July 2019 Andrew Merrick was appointed to the committee in place of Ray O'Toole and replaced Anthony Rabin as chairman. Both Anthony and Andrew have competence in accounting and auditing which is considered by the board to be relevant to the sector in which the company operates. The committee’s terms of reference are available from the Company Secretary. The committee was disbanded on 8 July 2020.

Disclosure of information to independent auditor

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 auditor is 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 auditor is aware of this information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent auditor

The auditor, Deloitte LLP, has indicated their willingness to continue in office and the board has passed a resolution confirming their reappointment.

Directors' report *(continued)*

Directors' responsibilities statement

The directors are responsible for preparing the annual 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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.

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

Approved by the board and signed on its behalf by:

E M Barber
Director

28 July 2020

Independent auditor's report to the members of Kelda Finance (No. 3) PLC

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Kelda Group Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s (the ‘FRC’s’) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - Financial Statements prepared other than on a going concern basis

We draw attention to note 1 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of going concern. Our opinion is not modified in respect of this matter.

Independent auditor's report to the members of Kelda Finance (No. 3) PLC *(continued)*

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Independent auditor's report to the members of Kelda Finance (No. 3) PLC *(continued)*

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

J Boardman.

Jane Boardman BSc FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom

28 July 2020

Profit and loss account
for the year ended 31 March 2020

	Note	**2020** **£'000**	2019 £'000
Interest receivable and similar income	*6*	**14,011**	11,520
Interest payable and similar expenses	*7*	**(10,759)**	(12,045)
Profit/(loss) before taxation		**3,252**	(525)
Taxation	*8*	**-**	100
Profit/(loss) for the financial year		**3,252**	(425)

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 2020

	Note	**2020**	2019
		£'000	£'000
Current assets			
Debtors	*9*	**-**	199,022
Cash at bank and in hand		**232**	102
		232	199,124
Creditors: amounts falling due within one year	*10*	**-**	(202,144)
Net current assets/(liabilities)		**232**	(3,020)
Total assets less current liabilities		**232**	(3,020)
Net assets/(liabilities)		**232**	(3,020)
Capital and reserves			
Called up share capital	*12*	**12**	12
Profit and loss account	*12*	**220**	(3,032)
Total shareholders' funds/(deficit)		**232**	(3,020)

These financial statements on pages 8 to 20 were approved by the board of directors and authorised for issue on 28 July 2020 and were signed on its behalf by:

E M Barber
Director

Company registered number: 08270049

Statement of changes in equity
for the year ended 31 March 2020

	Called up share capital £'000	**Profit and loss account £'000**	**Total shareholders' funds £'000**
Balance at 1 April 2019	12	(3,032)	(3,020)
Total comprehensive income for the year			
Profit for the financial year	-	3,252	3,252
Total comprehensive income for the financial year	-	3,252	3,252
Balance at 31 March 2020	**12**	**220**	**232**

	Called up share capital £'000	Profit and loss account £'000	Total shareholders' deficit £'000
Balance at 1 April 2018	12	(2,607)	(2,595)
Total comprehensive expense for the year			
Loss for the financial year	-	(425)	(425)
Total comprehensive expense for the financial year	-	(425)	(425)
Balance at 31 March 2019	12	(3,032)	(3,020)

Notes to the financial statements

1 Accounting policies

Kelda Finance (No.3) PLC (the "company") is a public company limited by shares, incorporated in England and Wales and resident for tax in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and the Companies Act 2006 as applicable to companies using FRS 101.

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

Kelda Eurobond Co Limited, a parent company incorporated in England and Wales, 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, West Yorkshire, BD6 2SZ.

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

- Cash flow statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of key management personnel.

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

- The disclosures required by IFRS 9 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 2020 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 2.

Measurement convention

The financial statements are prepared under the historical cost convention.

Going concern

On 17th February 2020, the company repaid on maturity the £200m guaranteed bond with proceeds from the repayment of an intercompany loan from Kelda Finance (No.2) Limited. As at the year end, the company has no outstanding assets or liabilities other than cash balances.

The company has ceased to trade and the directors do not consider that the company will trade again in the future. As such the financial statements have been prepared on a basis other than that of a going concern. No material adjustments arose as a result of the ceasing to apply the going concern basis.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Classification of financial instruments issued by the company

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.

Interest-bearing 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 repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in investment income and finance costs.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Impairment excluding stocks and deferred tax assets

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.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model. The expected credit loss model requires the group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

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.

Interest receivable and interest payable

Interest income and interest payable is recognised in profit or loss as the interest accrues using the effective interest method. This is the rate that exactly discounts estimated future cash receipts and payments through the expected life of the financial instrument to the net carrying amount of the financial assets.

Taxation

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

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

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

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

Notes to the financial statements *(continued)*

2 Accounting estimates and judgements

The preparation of financial statements under 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.

3 Expenses and auditor's remuneration

Auditor's remuneration of £6,000 (2019: £2,000) has been borne by Kelda Group Limited in relation to the audit of these financial statements.

4 Directors' remuneration

All the directors are employees, or directors, of other group undertakings and are remunerated by the relevant undertaking and received no emoluments in respect of their services to the company (2019: £nil).

5 Staff numbers and costs

The company did not have any employees during the year ended 31 March 2020 (2019: nil).

6 Interest receivable and similar income

	2020	2019
	£'000	£'000
Interest income from group undertakings on financial assets	**13,991**	11,500
Other amounts receivable from group undertakings	**20**	20
Total interest receivable and similar income	**14,011**	11,520

Notes to the financial statements *(continued)*

7 Interest payable and similar expenses

	2020 £'000	2019 £'000
Total interest expense on financial liabilities measured at amortised cost	**10,035**	11,500
Amortisation of issue costs	**724**	545
Total interest payable and similar charges	**10,759**	12,045

8 Taxation

Total tax result/(credit) recognised in the profit and loss account

	2020 £'000	2019 £'000
Current tax		
Total current tax result/(credit)	-	(100)
Total tax result/(credit) included in profit and loss	**-**	(100)

The tax for the current year is lower than (2019: equal to) the standard rate of corporation tax in the UK of 19% (2019: 19%). The calculation is explained below:

Reconciliation of effective tax rate

	2020 £'000	2019 £'000
Profit/(loss) before taxation	**3,252**	(525)
Tax using the UK corporation tax rate of 19% (2019: 19%)	**618**	(100)
Effects of:		
Group relief	**(618)**	-
Total tax result/(credit) included in profit and loss	-	(100)

The corporation tax rate of 19%, enacted in the Finance Act (No 2) Act 2015 and applicable from 1 April 2017, has been used in preparing these financial statements. Whilst the intention of Budget 2016 was that the Corporation Tax rate would be set at 17% from 1 April 2020 onwards, legislation will be introduced in Finance Bill 2020 to amend the main rate of corporation tax to 19% from 1 April 2020. This change was announced in Budget 2020 and the cancellation of the enacted cut to 17% made under a Budget resolution passed on 17 March 2020. As this has statutory effect, the 19% rate for 1 April 2020 onward is substantively enacted at 17 March 2020. The company has no unrecognised deferred tax assets in the current or prior year.

Notes to the financial statements *(continued)*

9 Debtors

	2020	2019
	£'000	£'000
Amounts owed by parent company	-	199,022

Included within amounts owed by parent company in the prior year is a loan of £197,500,000 to Kelda Finance (No.2) Limited, which was repaid during the year to provide funds to settle the maturing external loan on 17 February 2020 (note 11).

10 Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Guaranteed bond (see terms and debt repayment schedule note 11)	-	199,288
Trade creditors	-	4
Amounts owed to parent company	-	1,387
Other creditors	-	1,465
	-	202,144

Amounts owed to the parent company, in the prior year, were unsecured, interest-free, had no contractual repayment date and were repayable on demand.

11 Terms and debt repayment schedule

Terms and debt repayment schedule

	Currency	**Nominal interest rate**	**Year of maturity**	**Face value 2020 £'000**	**Carrying amount 2020 £'000**	Face value 2019 £'000	Carrying amount 2019 £'000
Guaranteed bond (Listed on the London Stock Exchange)	GBP	5.75% p.a.	2020	-	-	200,000	199,288
				-	-	200,000	199,288

Notes to the financial statements *(continued)*

12 Capital and reserves

Called up share capital	**2020**	2019
	£'000	£'000
Allotted, called up and part paid		
50,000 (2019: 50,000) Ordinary shares at £1 each (2019 at £1 each) 25% paid up on incorporation	**12**	12
	12	12
Shares classified in shareholders' funds	**12**	12
	12	12

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.

The profit and loss account represents cumulative profits or losses, net of dividends paid.

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).

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 2020 £'000	**Fair value 2020 £'000**	**Level 1 2020 £'000**	Carrying value 2019 £'000	Fair value 2019 £'000	Level 1 2019 £'000
Financial liabilities measured at amortised cost						
Guaranteed bond 5.75% p.a. £200m 2020	-	-	-	199,288	200,624	200,624
Total financial liabilities measured at amortised cost	-	-	-	199,288	200,624	200,624
Total financial instruments	-	-	-	199,288	200,624	200,624

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 above as there is no requirement to do so.

Notes to the financial statements *(continued)*

13 Financial instruments *(continued)*

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 company 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 company to the risk of being unable to finance its functions, whilst maintaining excess liquidity potentially exposes the company to the risk of inefficient funding costs.

Liquidity is managed at Kelda Holdings Limited group level 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:

	2020						2019					
	Carrying amount £'000	**Contractual cash flows £'000**	**1 year or less £'000**	**1 to <2years £'000**	**2 to <5years £'000**	**5 years and over £'000**	Carrying amount £'000	Contractual cash flows £'000	1 year or less £'000	1 to <2years £'000	2 to <5years £'000	5 years and over £'000
Non-derivative financial liabilities												
Guaranteed bond 5.75% p.a. £200m 2020	-	-	-	-	-	-	199,288	210,177	210,177	-	-	-
	-	-	-	-	-	-	199,288	210,177	210,177	-	-	-

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

Borrowings have a fixed interest rate and are held in sterling and therefore there is no interest rate risk due to market changes or currency risk.

Market risk - Interest rate risk

Profile

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

	2020	2019
	£'000	£'000
Fixed rate instruments		
Financial liabilities	-	199,288

Fixed rate instruments include borrowings which have a fixed interest rate through to maturity.

13 (e) Capital management

The company's objectives when managing capital are to provide benefits to stakeholders, returns to owners 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.

14 Ultimate parent company and ultimate controlling party

The company's immediate parent undertaking is Kelda Finance (No.2) Limited, incorporated in England and Wales. The ultimate parent undertaking is Kelda Holdings Limited, incorporated in Jersey and resident for tax in the UK. In the opinion of the directors, there is no ultimate controlling party.

The largest group in which the results of the company are consolidated is that headed by Kelda Holdings Limited, the registered office of which is 47 Esplanade, St Helier, Jersey, JE1 0BD, Channel Islands. The smallest group in which they are consolidated is that headed by Kelda Finance (No.1) Limited, incorporated in England and Wales, the registered office of which is the same as that of the company. The consolidated financial statements of these groups are available to the public and may be obtained from the Company Secretary, Western House, Halifax Road, Bradford, West Yorkshire, BD6 2SZ.