



# Yorkshire Water Financing Group

## Investors Report

*For the period ended 30 September 2019*

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- This report is being distributed in fulfilment of a document, the Common Terms Agreement dated 24 July 2009 (as amended and restated on 3 August 2010, 13 December 2011, 26 September 2012 and 11 March 2014, and as further amended and restated on 15 July 2015) (the "CTA"), which governs the obligations of the Company to the holders of bonds issued under the Programme and other Secured Creditors. Capitalised terms used but not defined in this report shall have the meaning ascribed to them in the Master Definitions Agreement (the "MDA") dated 24 July 2009 (as amended and restated on 3 August 2010, 13 December 2011, 26 September 2012 and 11 March 2014, and as further amended and restated on 15 July 2015). This report is directed to, and intended for, existing Secured Creditors of the YW Financing Group. No other persons should act or rely on it. The Company makes no representation as to the accuracy of forecast information (or any other information in this report, other than as set out in the CTA). These forecasts involve risk and uncertainty because they relate to events and depend on circumstances that may occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forecasts.
- For the purposes of the financial promotions regime under the Financial Services and Markets Act 2000, this report is given on the basis of the exemption provided in Article 69 of the Financial Services and Markets Act 2000 (Financial Promotion Order 2005 as it relates to bonds which are already admitted to trading on a relevant market).
- A copy of this report may be obtained at [www.keldagroup.com](http://www.keldagroup.com).

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## 1. General

The information provided in this report is sourced primarily from the unaudited Yorkshire Water Services Limited (“YW” or the “Company”) Condensed Interim Report and Financial Statements (“Interims”) for the six months ended 30 September 2019.

## 2. Business overview

YW has made good progress over the first six months of the 2019/20 financial year towards the delivery of its five-year business plan for the period 2015 to 2020. YW’s focus continues to be on the affordable, efficient and safe delivery of excellent customer services, while fulfilling the Company’s environmental and social responsibilities.

Whilst there are clearly significant challenges to be dealt with in the next few months, YW also has the chance to transform the Company into an operational leader within the UK water sector, providing excellent service to its customers and becoming deeply embedded within the economy, environment and communities of the Yorkshire region. Working with the Company’s colleagues, YW intends to make the Company an exemplar employer and a great place to work.

Despite the effects of erratic weather patterns experienced by the Company over the last few years, YW has managed to meet its 2018/19 leakage performance target, in part, due to continuing investment in its operations to deliver upper quartile performance.

## 3. Business strategy








YW is a regulated water and waste water company that provides some of life’s most essential services and the Company is a custodian of the region’s natural environment and critical infrastructure. YW is regulated by three main authorities to act in the best interests of the society that YW serves: The Office of Water Services (“Ofwat”); the Environment Agency (“EA”); and the Drinking Water Inspectorate (“DWI”).

### Putting YW’s customers’ priorities at the heart of its strategy

Central to YW’s strategy is the delivery of its customers’ priorities defined in seven Customer Outcomes that are measured by twenty-six Performance Commitments (“PC’s”). These were shaped and agreed previously via engagement with over 30,000 of YW’s customers and with the Company’s stakeholders and regulators. The PC’s set the levels of service that the Company is working to achieve up to 2020.

The regulatory regime in which YW operates includes financial and reputational Outcome Delivery Incentives if YW under or over performs against a number of the Company’s PC’s. Where financial incentives have been agreed, they become applicable only when the Company reaches defined levels of service.

YW's seven Customer Outcomes and twenty-six PC's are shown below. The fourteen PC's that have a reward or penalty attached to them (ie an Outcome Delivery Incentive) are highlighted in pink.

 We provide you with water that is clean and safe to drink	 We make sure that you always have enough water	 We take care of your waste water and protect you and the environment from sewer flooding	 We protect and improve the water environment	 We understand our impact on the wider environment and act responsibly	 We provide the level of customer service you expect and value	 We keep your bills as low as possible
Drinking water quality compliance	Leakage	Internal flooding	Length of river improved	Energy generation	Quality of customer service (SIM)	Number of people who we help to pay their bill
Corrective actions	Water use	External flooding	Visitor satisfaction		Service commitment failures	Value for money
Drinking water quality contacts	Water supply interruptions	Pollution incidents	Working with others	Waste diverted from landfill	Overall customer satisfaction	Bad debt
Stability and reliability factor - water quality	Stability and reliability factor - water quality	Stability and reliability factor - waste water networks	Bathing water quality			
			Land conserved and enhanced			
			Stability and reliability factor - waste water quality			

**YW's long term business strategy – “Not Just Water”**



“Not Just Water” sets out YW's strategy for the decades ahead and looks closely at the future economic, social and environmental issues that the Yorkshire region faces.

“Not Just Water” is based on ground breaking research looking at how YW's customers' varied and diverse lifestyles interact with water. The strategy considers the Company's impact on Yorkshire's people, environment and economy both now and into the future and is designed to meet the needs of YW's customers and the environment in a sustainable and affordable way.

**YW's 'Five Big Goals'**

“Not Just Water” is embedded within the Company's 'Five Big Goals' that reflect what YW's customers want and expect. YW's 'Five Big Goals' are:

**CUSTOMERS**

We will develop the deepest possible understanding of our customers' needs and wants and ensure that we develop a service tailored and personalised to meet those needs.

**WATER SUPPLY**

We will always provide our customers with enough safe water, we will not waste water and always protect the environment.

**ENVIRONMENT**

We will remove surface water from our sewers and recycle all waste water, protecting the environment from sewer flooding and pollution.

**TRANSPARENCY**

We will be a global benchmark for openness and transparency.

**BILLS**

We will use innovation to improve service, eradicate waste and reduce costs so no one need worry about paying our bill. We will not waste money.

How YW delivers these goals will be key to delivering a differentiating service to its customers and includes:

- Using data and technology to help the Company understand what its diverse customers want;
- Knowing and measuring YW’s impact on the Yorkshire region; and
- Creating resilience and sustainability through demand management led solutions that keep YW’s bills low over the long term.

YW’s customer support for each of its ‘Five Big Goals’ is over 90%.



### Resilience and sustainability are imperatives within YW’s refreshed strategy

Central to YW’s long term strategy is the need for change. As a company whose core business fundamentally relies on financial, natural and social resources, YW knows that there are major challenges to the resilience of the Company’s essential water and waste water services. These include climate change, population growth and resource constraints.

To help YW make sure that its decision-making processes address these challenges, the Company uses the concept of the ‘Six Capitals’ to enhance its resilience and sustainability by informing its risk management, decision making and investment choices. Considering positive and negative impacts and dependencies across all the ‘Six Capitals’ improves the Company’s understanding of how to make decisions that result in a balanced impact that considers risk and value, so that more long-term sustainable approaches can be targeted.

In October 2018 YW won a ‘Finance for the Future’ award in the category of ‘Embedding an Integrated Approach’ for the Company’s work on developing the ‘Six Capitals’ framework and embedding it throughout its business. In October 2019 YW was shortlisted as a finalist for another Finance for the Future award in the category of Communicating Integrated Thinking, for our Sustainable Finance Framework and the Investor Presentation from April 2019. The awards, created by the Institute of Chartered Accountants and The Prince’s Accounting for Sustainability Project, recognise best practice in building sustainable organisations, particularly where companies’ finance teams are driving a sustainable transformation, and are unique in looking at the crucial role financial decision makers play in helping to create sustainable business models.

### Public Interest Commitments

In April 2019, the water industry published five stretching goals called Public Interest Commitments. The goals are:

- To speed up the rate of leakage reduction;
- To make sure water bills are affordable;
- For the sector to achieve net zero carbon emissions;
- To prevent the equivalent of four million plastic bottles ending up as waste; and
- To give 100% commitment to the social mobility pledge.

YW actively helped the water industry to shape these commitments which work alongside the Company’s plans for the 2020-2025 regulatory period (“AMP7”) and beyond.

Regarding YW’s commitment to net zero carbon emissions by 2030, for the six months to 30 September 2019 YW continued to purchase 100% renewable electricity (2018/19: 100%). In July 2019 the Company installed solar photovoltaic (“PV”) panels on one of its office buildings which will save 53 tonnes of CO<sub>2</sub> per annum and are the first step in a larger project to make the whole of the Company’s Buttershaw site in Bradford self-sufficient. YW is also exploring wider deployment of solar power solutions at 36 of the Company’s operational sites.



## Fit for the Future

In preparation for AMP7 and specifically the challenges of the more comprehensive customer experience measures (C-MEX, D-MEX and R-MEX), YW has further expanded its leadership team to include Andy Haywood as Chief Technology and Information Officer. Andy joins YW having worked in similar roles for the Co-Op, N Brown, Asda, HBOS and Boots, and will work with YW's Director of Customer Experience, Zoe Burns-Shaw, to deliver vital digital transformations to improve our customer experience.

## Removal of the YW subsidiaries incorporated within the Cayman Islands

As part of the Company's 'Transparency' goal, YW has completed steps to address concerns around transparency and governance by removing the Company's subsidiaries that were tax resident in the UK but incorporated in the Cayman Islands. Following Ofwat consent, HMRC clearance and credit ratings confirmations, consent was requested from relevant Secured Creditors for the necessary changes in accordance with provisions within the YW Financing Group's securitised structure. This consent was confirmed on 20 June 2018.

On 2 July 2018, a new UK incorporated financing subsidiary, Yorkshire Water Finance plc, was established by YW and on 16 August 2018 was substituted as the issuer of approximately £3 billion of listed bonds and private notes that had been previously issued by Cayman Island incorporated companies. On 20 June 2019 the Cayman Island incorporated companies were dissolved and, therefore, are no longer part of YW's or Kelda's Group.

## 4. Operational performance

As reported in previous statements, the last two years have been dominated by erratic weather patterns involving 'freeze thaw', the drought conditions of summer 2018 and this year's much wetter weather. The investment approved by the YW Board in late 2017 has meant that, throughout this period, the Company's operational performance has remained strong. In the key areas of internal sewer flooding, pollution, leakage and supply interruptions, YW is tracking ahead of its regulatory targets. YW's investment in extensive monitoring for both clean and waste networks should also underpin the Company's longer-term ambitions to take performance beyond the regulatory position.

Income is below the forecast levels as consumption has fallen in the first half of the year because of the wetter weather. There are however regulatory mechanisms which will enable this to be recovered in the next five year period. Operating expenditure is close to budgeted level and YW is making good progress with scheduled capital delivery for the last year of this Asset Management Period ("AMP").

The Company is also making good progress with the development of its five year business plan for the 2020-25 regulatory period, which will be signed off by the YW Board and published prior to 01 April 2020 and is also working with its customers, colleagues and stakeholders on a new vision and values for the Company to underpin the delivery of its strategic priorities for the new AMP. YW is aiming to make its new five year business plan different from its predecessors in two important ways:

- (i) By making it to be much clearer, simpler and more accessible. Previous plans have had a multitude of targets and objectives which make it hard for anyone, inside or outside the Company, to really understand what YW is setting out to achieve and how the Company is performing against its ambitions;
- (ii) Secondly, we're engaging widely with customers and colleagues in the development of the plan. It is really important that both the people who deliver the plan and our customers, who will benefit from it, have their say as we put it together.

YW has completed the implementation of its new Systems, Applications and Products ("SAP") operating system at the end of June 2019. This has been one of the biggest SAP implementations in the world and it is fair to say that because of this scale, the implementation has caused a lot of stress and pressures for YW's colleagues across the business. It is important to acknowledge that the new SAP implementation has not always been a smooth process, but the Company is working hard to rectify the remaining issues. Despite the complexities of the implementation, it was the right thing to do. Not only will the new SAP system replace expensive and unsupported legacy systems, but it will also give YW the basis for future changes to the ways in which the Company plans and delivers its service to customers in the future.

Finally, on 1 October 2019 YW, completed the sale and transfer of the business customer portfolios of both Yorkshire Water Business Services and Three Sixty (a sister company to YW that sits outside the regulatory ringfence) to the retailer Business Stream. The transaction marks Kelda’s exit from the retailer water market.

## 5. Financial performance

For the six months ended 30 September 2019, YW has delivered a strong set of financial results underpinned by continuing investment in its assets and improvement to its operational and environmental performance. The key financial performance indicators are as follows:

	Six months ended 30 September 2019	Six months ended 30 September 2018	% change
Turnover	£538.8m	£533.0m	1.1
Adjusted EBITDA <sup>1</sup>	£285.5m	£295.7m	(3.5)
Operating profit <sup>2</sup>	£130.7m	£138.0m	(5.3)
Exceptional operating costs	(£2.3m)	(£18.9m)	(87.8)
Net interest <sup>3</sup>	(£82.1m)	(£93.1m)	(11.8)
Capital expenditure	(£226.2m)	(£248.7m)	(9.1)

<sup>1</sup> Adjusted EBITDA (earnings before interest, tax, depreciation, amortisation and exceptional operating costs).

<sup>2</sup> Excludes operating costs.

<sup>3</sup> Excludes fair value income and exceptional fair value charges.

YW’s financial results for the first six months to 30 September 2019 are consistent with and represent the delivery of a strong financial performance against the first four and a half years of the Company’s five-year business plan. Key financial performance highlights include:

- Turnover increased by 1.1% to £538.8m (30 September 2018: £533.0m) as a result of increases to tariffs;
- Adjusted EBITDA has decreased marginally when compared to the comparable period last year to £285.5m from £295.7m. Operating profit (excluding exceptional items) has decreased in the period by 5.3% against the comparable period last year. Operating costs have increased by 3.3% (from £395.0m to £408.1m) due to increased operating expenditure aimed at driving upper quartile operational performance together with a one-off impairment charge in relation to an energy generation asset disposal;
- £2.3m of exceptional operating costs have been incurred associated with assets damaged in the December 2015 floods;
- During the six-month period to 30 September 2019, net interest payable and similar charges reduced primarily due to increased savings from swap restructuring projects undertaken during 2017/18 and in July 2018.





Ofwat will publish its Final Determination and its final assessment of WACC on 16 December 2019. YW may dispute the Final Determination within a period of up to two months from the date of the Final Determination being issued. In the event of a dispute, YW would request Ofwat to refer the disputed determination to the CMA. An inquiry by the CMA is a full re-determination and not limited to the examination of a set number of issues. The CMA expects an inquiry review would usually last for six months, but this period can be extended if there are good reasons to do so.

## 7. Director changes

On 14 September 2019 Richard Flint retired after more than nine years as YW's Chief Executive Officer and sixteen years in total as a member of YW's Board of Directors. Richard has also stepped down as a director of Yorkshire Water Services Finance Limited and Yorkshire Water Finance Plc. Liz Barber, previously YW's Director of Finance, Regulation and Markets, has taken on the role of Chief Executive Officer.

On 1 November 2019 David Gregg was appointed as Interim Chief Financial Officer. David was previously Head of Corporate Finance, and prior to that, Interim Head of Tax & Treasury.

## 8. Permitted Subsidiaries acquired pursuant to a Permitted Acquisition

There were no Permitted Subsidiaries acquired pursuant to a Permitted Acquisition during the six months to 30 September 2019.

## 9. Regulated capital investment

YW invests significant capital expenditure to add to, replace, maintain and enhance both its assets and its infrastructure. The price limits set by Ofwat every five years consider the level of capital and operating expenditure expected to be incurred during the relevant period together with the associated funding costs. YW has continued to govern the effective and efficient delivery of its investment programme to protect and enhance the services that the Company provides to its customers and to improve the water environment in which the Company operates. YW continues to enhance its investment approach by integrating its management of both operational and capital expenditure via a totex approach.

Capital expenditure in the six month period to 30 September 2019 was £226.2m (30 September 2018: £248.7m). The Company is now into the last year of its regulatory investment period and plans are in place for a smooth transition into the next regulatory period commencing on 01 April 2020.

## 10. Outsourcing

YW continues to monitor and comply with its Outsourcing Policy as detailed under the Common Terms Agreement which states, amongst other things, that YW will act as a reasonably prudent water and sewerage undertaker and in accordance with good industry practice.

During September and October 2019 YW announced its £1 billion Civils Frameworks for AMP7, covering the full range of civil engineering requirements across its clean and wastewater assets. In total, 18 partners have been appointed after a 12 month procurement process. The five-year frameworks come with optional extensions of up to three years, covering design and build projects, renewal and replacement of assets, and specialist works, including:

- Complex Civils – design, build and refurbishment of treatment assets including reservoirs and pumping stations;
- Minor Civils Lot 1 – new build and upgrading works to treatment assets with limited design; and
- Minor Civils Lot 2 – specialist works to water retaining structures.

YW is seeking to outsource elements of its bio-resources programme with a view to promoting an innovative, market-led approach and driving value from its bioresources operations. This includes thickening and dewatering services, the provision and management of efficient sludge treatment capacity and the outsourcing of biogas management.

## 11. Financing

During the six months ended 30 September 2019, YW has completed the following transactions:

- On 11 April 2019, Yorkshire Water Finance plc, a subsidiary of YW, issued a £350m 22yr sustainability bond with a coupon of 2.75%. This was the first public bond issued off YW’s Sustainable Finance Framework launched in January 2019, the first sustainability bond issued by a UK corporate and the 100<sup>th</sup> bond to be listed on the LSE’s Green Bond segment;
- On 27 September 2019, £400m of the Company’s revaluation reserve was capitalised by way of issuance and allotment of 2,000,000 ordinary shares of 50p each at a premium of £199.50 per share. On the same day, the share premium account was reduced from £399m to £nil and transferred to the profit and loss reserve.

### Sustainable Finance

As at 30 September 2019 the amount of financing outstanding under YW’s Sustainable Finance Framework was £450m, set against an Eligible Sustainable Portfolio of £2,643m.

## 12. Ratings

YW and its financing subsidiaries have credit ratings assigned by three rating agencies, Fitch Ratings (“Fitch”), Moody’s Investors Service (“Moody’s”) and S&P Global Ratings (“S&P”). The latest published ratings in relation to the YW Financing Group are shown in the table below:

Rating Agency	Class A rating	Class B rating	Corporate Family Rating	Date of publication
Fitch	A (negative)	BBB+ (negative)	N/A	February 2019
Moody’s	Baa1 (negative)	Ba1 (negative)	Baa2 (negative)	February 2019
S&P	A- (stable)	BBB (stable)	N/A	May 2019

On 31 May 2019, S&P published an update of its credit opinion without any change to credit ratings or outlooks of YW.

The credit rating reports for all three of the rating agencies that assign credit ratings to the Yorkshire Water Financing Group can be found within the ‘Investors’ section of the Kelda Group website at [www.keldagroup.com](http://www.keldagroup.com).

## 13. Surplus

YW’s Board and ultimate shareholders are committed to ensuring compliance with its covenanted financial ratios and also, where possible and appropriate, to maintaining its current ratings via, amongst other things, the retention of distributions and other balance sheet strengthening measures as and when it is prudent to do so. YW’s current dividend policy is:

- To deliver real growth in dividends recognising the management of economic risks, the continuing need for investment of profits in the business and to pay additional dividends which reflect efficiency improvement, and particularly improvements beyond those assumed in the determination of price limits;
- To pay dividends in respect of the non-regulated business reflecting the profitability of those activities;
- Where it is foreseeable that the Company will have sufficient profits available for distribution, to continue to pay annual dividends consistent with this policy. The Company can also pay special dividends as part of any capital reorganisation which the Board concludes to be in the best interests of the Company and complies with its obligations under its licence;

As part of the Company’s PR19 Plan submission, YW undertook a review of its dividend policy to ensure that it aligns with YW’s overall strategic aims, the Company’s approach to financial resilience, and that it reflects current practice. The Company’s proposed future dividend policy for the PR19 period will be:

- To deliver a base dividend recognising the management of economic risks and capital employed;
- Adjust the base dividend to reflect and recognise company performance and benefit sharing from service and efficiency performance, particularly performance beyond or below that assumed in the determination of price limits; the continuing need for investment of profits in the business and the funding of employee interests;
- Be transparent in the payment of dividends and to clearly justify the payment in relation to the factors outlined above;
- Where it is foreseeable that YW will have sufficient profits available for distribution, and subject to appropriate financial resilience testing, to continue to pay dividends consistent with this policy.

Further information regarding YW's future dividend policy can be found within the Financeability risk and return section of the Company's PR19 Plan submission via the following link:

<https://www.yorkshirewater.com/ourbusinessplan>

#### 14. Bank and liquidity facilities held by the YW Financing Group

At 30 September 2019, £335m was drawn on the Company's £560m revolving credit bank facility (31 March 2019: £325m).

At 30 September 2019 there were no amounts drawn on either of the Company's operating and maintenance bank liquidity facility (31 March 2019: nil) or debt service reserve bank liquidity facility (31 March 2019: nil).

#### 15. Non-Participating YWSF Bond Reserve Account

The balance on the Non-Participating YWSF Bond Reserve Account at 30 September 2019 was £1.4m.

#### 16. Authorised Investments

Authorised Investments at 30 September 2019 were:

	Deposits with Account Bank (Cash Accounts)	Liquidity funds	Non-Participating YWSF Bond Reserve	Swap collateral (MM Deposit)	Total
	£m	£m	£m	£m	£m
Commonwealth Bank of Australia	-	-	1.41	-	1.41
Goldman Sachs Asset Management Liquidity Fund	-	0.00	-	-	0.00
HSBC Liquidity Fund	-	0.00	-	-	0.00
Aberdeen Liquidity Fund	-	14.22	-	-	14.22
National Australia Bank	-	-	-	17.24	17.24
Bank Accounts (NatWest)	(2.76)	-	-	-	(2.76)
<b>Total</b>	<b>(2.76)</b>	<b>14.22</b>	<b>1.41</b>	<b>17.24</b>	<b>30.12</b>

## 17. Ratios

The YW Financing Group confirms that in respect of the Calculation Date on 30 September 2019, by reference to the most recent financial statements that the YW Financing Group is obliged to deliver in accordance with Paragraph 1 (Financial Statements) of Part 1 (Information Covenants) of Schedule 4 (Covenants) to the Common Terms Agreement, the Ratios are as detailed in the table below.

Date	30/09/2019	31/03/2020	31/03/2021
	Actual	Forecast	Forecast
Class A RAR	68.8%	69.1%	71.0%
Senior RAR	76.8%	77.0%	78.7%

Test Period	31/03/2020	31/03/2021
	Forecast	Forecast
Class A ICR	3.65x	3.97x
Class A Adjusted ICR	3.65x	3.97x
Senior Adjusted ICR	3.30x	3.58x
Class A Average Adjusted ICR	3.68x	3.68x
Senior Average Adjusted ICR	3.26x	3.26x
Conformed Class A Adjusted ICR	1.62x	1.53x
Conformed Senior Adjusted ICR	1.46x	1.38x
Conformed Class A Average Adjusted ICR	1.58x	1.58x
Conformed Senior Average Adjusted ICR	1.43x	1.43x

(together the “Ratios”).

YW continues to ensure that its capital structure is appropriate and maintains the maximum flexibility to cope, both financially and operationally, with any unforeseen events. This is evidenced by the fact that the YW Board and its ultimate shareholders are committed to ensuring compliance with the YW Financing Group’s covenanted financial ratios and, where possible and appropriate, to maintain its current ratings via, amongst other things, the retention of distributions to the Company’s ultimate shareholders.

The ratios contained within the tables above are based on the Company’s agreed position that no distributions are made by YW to its ultimate shareholders from 1 April 2019 to 31 March 2020 inclusive which is in accordance with the Company’s preparations for its AMP7 business plan. It should be noted that distributions from YW will continue to be made to (i) fund inter-company interest payments; (ii) fund external interest payments due on debt issued by Kelda Finance (No.2) Ltd and Kelda Finance (No.3) PLC; and (iii) to service Kelda Group Limited corporate costs.

The YW Financing Group confirms that each of the above Ratios has been calculated in respect of each of the relevant periods for which it is required under the CTA and has not breached the Trigger Event Ratio Levels and has not caused Paragraph 17 (Ratios) of Part 2 (Events of Default - Non-YWH) of Schedule 6 (Events of Default) to the CTA to be breached.

For information, the computations of the ratios are as follows.

Test Period		Year ending 31/03/2020 Forecast	Year ending 31/03/2021 Forecast
Net Cash Flow divided by	£m	567.6	583.1
Class A Debt Interest	£m	155.6	146.9
<b>Class A ICR</b>	<b>times</b>	<b>3.65</b>	<b>3.97</b>
Net Cash Flow	£m	567.6	583.1
Less CCD and IRC	£m	0.0	0.0
Adjusted Cash Flow divided by	£m	567.6	583.1
Class A Debt Interest	£m	155.6	146.9
<b>Class A Adjusted ICR</b>	<b>times</b>	<b>3.65</b>	<b>3.97</b>
Net Cash Flow	£m	567.6	583.1
Less CCD and IRC	£m	0.0	0.0
Adjusted Cash Flow divided by	£m	567.6	583.1
Senior Debt Interest	£m	172.0	162.7
<b>Senior Adjusted ICR</b>	<b>times</b>	<b>3.30</b>	<b>3.58</b>
Year 1 Class A Average Adjusted ICR	times	3.41	3.41
Year 2 Class A Average Adjusted ICR	times	3.65	3.65
Year 3 Class A Average Adjusted ICR	times	3.97	3.97
<b>Class A Average Adjusted ICR</b>	<b>times</b>	<b>3.68</b>	<b>3.68</b>
Year 1 Senior Average Adjusted ICR	times	2.90	2.90
Year 2 Senior Average Adjusted ICR	times	3.30	3.30
Year 3 Senior Average Adjusted ICR	times	3.58	3.58
<b>Senior Average Adjusted ICR</b>	<b>times</b>	<b>3.26</b>	<b>3.26</b>
Net Cash Flow	£m	567.6	583.1
Less Depreciation	£m	(212.6)	(272.2)
Less IRE not already deducted in the calculation of Net Cash Flow or Depreciation	£m	(115.6)	(119.0)
Fast/Slow Adjustment	£m	12.0	32.6
Adjusted Cash Flow divided by	£m	251.5	224.4
Class A Debt Interest	£m	155.6	146.9
<b>Conformed Class A Adjusted ICR</b>	<b>times</b>	<b>1.62</b>	<b>1.53</b>
Net Cash Flow	£m	567.6	583.1
Less Depreciation	£m	(212.6)	(272.2)
Less IRE not already deducted in the calculation of Net Cash Flow or Depreciation	£m	(115.6)	(119.0)
Fast/Slow Adjustment	£m	12.0	32.6
Adjusted Cash Flow divided by	£m	251.5	224.4
Senior Debt Interest	£m	172.0	162.7
<b>Conformed Senior Adjusted ICR</b>	<b>times</b>	<b>1.46</b>	<b>1.38</b>

Test Period		31/03/2020 Forecast	31/03/2021 Forecast
Year 1 Conformed Class A Average Adjusted ICR	times	1.61	1.61
Year 2 Conformed Class A Average Adjusted ICR	times	1.62	1.62
Year 3 Conformed Class A Average Adjusted ICR	times	1.53	1.53
<b>Conformed Class A Average Adjusted ICR</b>	<b>times</b>	<b>1.58</b>	<b>1.58</b>
Year 1 Conformed Senior Average Adjusted ICR	times	1.46	1.46
Year 2 Conformed Senior Average Adjusted ICR	times	1.46	1.46
Year 3 Conformed Senior Average Adjusted ICR	times	1.38	1.38
<b>Conformed Senior Average Adjusted ICR</b>	<b>times</b>	<b>1.43</b>	<b>1.43</b>

Test Period		30/09/2019 Actual	31/03/2020 Forecast	31/03/2021 Forecast
Class A Net Indebtedness divided by	£m	4,724.7	4,805.0	5,164.7
RCV	£m	6,868.7	6,955.3	7,270.0
<b>Class A RAR</b>	<b>%</b>	<b>68.8%</b>	<b>69.1%</b>	<b>71.0%</b>
Senior Net Indebtedness divided by	£m	5,272.8	5,354.7	5,718.3
RCV	£m	6,868.7	6,955.3	7,270.0
<b>Senior RAR</b>	<b>%</b>	<b>76.8%</b>	<b>77.0%</b>	<b>78.7%</b>

Under the terms of the CTA, Compliance Certificates are completed for the whole YW Financing Group and therefore certain adjustments are required to be made to the financial information contained within the financial statements of YW when calculating the current period ratios as reported in the above tables. The table below detail these adjustments.

Net debt	Reference	30/09/2019 Actual
		£m
YW net debt at 30 September 2019	Note 6 to YW's Interims	4,228.5
Net amounts owed in relation to loans to parent companies	Note 6 to YW's Interims	963.3
Fair value adjustment of bonds	Note 6 to YW's Interims	(145.6)
Unamortised issue costs	Note 6 to YW's Interims	17.5
Discount on RPI accretion on inflation linked swaps	Note 8 to YW's Interims	209.1
<b>Senior Net Indebtedness</b>		<b>5,272.8</b>
<i>of which Class A Net Indebtedness</i>		<b>4,724.7</b>

The YW Financing Group certifies that on 30 September 2019 the Annual Finance Charge for the twelve months to 31 March 2020 is forecast at £175.8m. The Monthly Payment Amount is forecast at £13.6m.

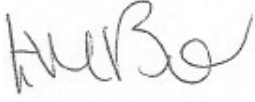


This Investors Report also confirms that:


- (a) no Default or Potential Trigger Event is outstanding; and
- (b) that YW's insurances are being maintained in accordance with:
  - (i) the CTA; and
  - (ii) the provisions of the Finance Leases.

Yours faithfully

*For and on behalf of*  
**Yorkshire Water Services Limited**

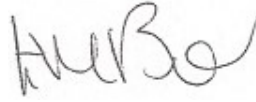
  
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**Liz Barber**  
Chief Executive Officer


  
.....

**Nevil Muncaster**  
Chief Strategy & Regulation Officer

*For and on behalf of*  
**Yorkshire Water Services Finance Limited**

  
.....

**Liz Barber**  
Director

  
.....

**Kathy Smith**  
Director

*For and on behalf of*  
**Yorkshire Water Finance plc**

  
.....

**Liz Barber**  
Director

  
.....

**Kathy Smith**  
Director

# Yorkshire Water Financing Group

## Investors Report

*For the period ended 30 September 2019*

For further information regarding this Investors Report please contact:

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