

# Yorkshire Water Financing Group

## Investors Report

*For the period ending 30 September 2021*



YorkshireWater

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- A copy of this report may be obtained at [www.keldagroup.com](http://www.keldagroup.com).

## Contents

1. General .....	3
2. Business overview .....	3
3. Business strategy.....	4
4. Operational performance .....	7
5. Financial performance.....	8
6. Director and Leadership Team changes .....	9
7. Permitted Subsidiaries acquired pursuant to a Permitted Acquisition .....	9
8. Regulated capital Investment .....	9
9. Outsourcing .....	9
10. Financing .....	10
11. Ratings.....	13
12. Surplus.....	14
13. Bank and liquidity facilities held by the YWFG .....	15
14. Non-Participating YWSF Bond Reserve .....	15
15. Authorised Investments .....	16
16. Ratios.....	17
17. Appendix.....	24

## 1. General

The information provided in this report for the Yorkshire Water Financing Group (“YWFG”) 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 2021.

## 2. Business overview

During the six months to 30 September 2021, YW has continued to improve operational performance whilst delivering the challenging cost reduction targets necessitated by the last price review.

YW continues to actively manage its cost base, whilst undertaking a transformation of the business to make significant improvements in productivity and performance during this Asset Management Period (“AMP”) that will place the Company in a strong position for the following five year period. Good progress has been made in all these areas despite the continuing challenge of Covid-19 and in recent months the disruption to supply chains and associated pricing pressures which have affected most sections of the economy including the water sector.

As a result of the steps taken in recent years the Company has maintained its financial resilience and continues to have access to a significant amount of liquidity.

In November 2021 YW, along with other UK water companies, received notification from Ofwat and the Environment Agency (“EA”) of the intention to conduct investigations into compliance with environmental permits at wastewater treatment works. YW will provide full co-operation, analysis and information as requested by Ofwat and the EA over the forthcoming months.

### Supply Chain Disruption and Cost Pressures

In recent months there has been considerable disruptions to supply chains across the economy caused largely by the shortage of drivers and associated delays to distribution. The water industry has been affected by this disruption with chemicals such as ferric sulphate, ammonia, and carbon dioxide, which are used in treatment processes, being in short supply. The industry’s incident management process has worked well to mitigate this position and has had a constructive relationship with the Government.

From a YW perspective, prudent steps were taken ahead of this period to improve the resilience of its chemical supply chain and as a result the Company has not been particularly affected by distribution issues. Nonetheless YW monitors essential supplies carefully and will always take prudent steps to protect customers from any impact the best it can. That said,

disruptions to supply have caused significant upward cost pressures for goods, services, energy costs and indeed labour and it is expected these cost pressures will continue throughout the second half of the financial year.

### **3. Business strategy**

YW's strategy is to serve Yorkshire today and long into the future with safe, reliable and affordable water, wastewater and environmental services. YW is regulated by four main authorities to act in the best interests of the society that the Company serves: Ofwat; the EA; the Drinking Water Inspectorate ("DWI") and the Health and Safety Executive ("HS&E"). Whilst highly regulated, the strategy is to go beyond compliance and further support Yorkshire by working in partnership to champion healthy living, thriving livelihoods and sustainable economic growth.

Central to YW's strategy is the need to ensure long-term resilience and remain adaptable to changing circumstances. YW's business fundamentally relies on natural, social and financial resources, and there are major challenges to the resilience of its services from factors such as climate change, population growth and resource constraints.

To address these challenges YW has:

- Adopted transparent integrated annual reporting, based on the Global Reporting Initiative, that addresses clearly how the business supports the UN's Sustainable Development Goals.
- Embedded its leading Six Capitals approach, which considers the resources we both rely on and impact to help expand the organisation's understanding of risk and value and drive better decision making that considers social and environmental impacts as well as financial.
- Launched a Sustainable Finance Framework, which aligns the Company's financing with its broader corporate strategy and allows investors to see how their money goes towards achieving YW's sustainability goals via annual impact reporting.

YW believe these business-led initiatives will lead to greater resilience and more optimised decision making that helps underpin financial returns and the Company's long-term financeability.

YW is undertaking a review of its long-term strategy that will be released later this year and, as a precursor, has been through an extensive and inclusive review process of its corporate purpose and vision. This has been supported by a set of behaviours which translates that purpose into how everyone at YW goes about their day-to-day business.

YW's ability to grow value sustainably in the future will also depend in large part on its purpose and how this is translated into action. Purpose will form a growing part of the regulatory contract and a strong purpose will likely lead to better regulatory outcomes. It will give rise to extended service and growth opportunities.

YW aims to be a long-term leading performer in the water sector and achieve this through alignment to the region it serves in order to support sustainable and inclusive growth, facilitating its people to be their best, working in partnership with stakeholders and communities, and utilising markets and innovation. YW supports its customers and communities to hold the Company to account through transparency around performance and our impact on Yorkshire.

## **Carbon Reduction Strategy**

YW, together with all other UK water companies, has made a commitment to reach carbon net zero by 2030. YW has already significantly reduced its operational carbon emissions, and to help achieve the challenging net zero target has developed a climate strategy with five key focus areas:

- **Climate resilience** - to make long term transformation changes to adapt to the impacts of climate change.
- **Carbon reduction** - to make operations more efficient and deliver an energy efficiency programme to reduce electricity use by 28% by 2030.
- **Reducing emissions** - by choosing renewable energy and low carbon fuels. YW is aiming to install and use up to 120MW of solar by 2030 and for a minimum of 30% of all electricity use to come from onsite renewables.
- **Improving carbon storage** - retain and improve land to store carbon and provide wider sustainability benefits, such as water quality. By delivering tree planting projects, peatland restoration and other initiatives, aim to store up to 27ktCO<sub>2</sub>e by 2030.
- **Forming key partnerships** - by co-ordinating efforts with Yorkshire institutions to meet challenges like developing electric vehicle infrastructure.

Over the next 12 months, YW will be aligning the Carbon Reduction Strategy with core business decision making, implementing plans to deliver more onsite renewables, speaking to customers about the plans, and continuing to form strong partnerships to coordinate tackling climate change and reducing emissions.

Fleet improvements are well underway, and by the end of the year 10% of vans will be electric with a plan to increase this to 50% by 2025.

## **Pollution Reduction**

YW's current Pollution Incident Reduction Plan aims to reduce pollution incidents by 50% between 2020 and 2025, by primarily focusing on early intervention.

As one example of how this will be achieved, YW has begun installing 150 solar-powered cameras on wastewater outfalls as part of a pilot scheme to improve visibility of the network. The initial installation of the cameras, with their own solar power supply and data connection, has begun on assets across the region.

The cameras will help to quickly assess the condition of equipment, allow for more regular visual checks and improve reactions to pollution reports. They will also reduce wasted visits for field teams, helping to improve efficiency.

## **Land Strategy**

YW is Yorkshire's second largest landowner. The Company's land strategy is therefore key to the long-term success of the business. The strategy includes initiatives on partnership projects, water catchment management and the use of land for low-carbon, renewable land-based technologies to benefit the environment and communities in which YW operates.

One exciting project within the strategy is a pioneering development on unused land around the YW's Esholt site, which will provide around 2,000 jobs. YW's sister company Keyland Developments Ltd has been granted planning permission to transform 180 acres on the site which is currently unused.



The landmark development will include an innovative employment element which will see the delivery of up to 100,000m<sup>2</sup> of quality, sustainable workspaces to accommodate a mix of industry, with a particular focus on businesses and industries that can make the most of heat, power and water generated by the treatment works to maximise sustainability.

The planning permission includes 150 homes to appeal to a diverse group of homebuyers. As well as being



energy efficient, a key focus will be on showing how homes can reduce their water consumption through innovative design, in a move that YW hopes will influence how developments can contribute to meeting the challenge of supplying a growing region with the water it needs, without impacting the environment.

Alongside the new development, YW is already working hard to redevelop the historic Esholt Hall and transform it into a flagship Centre of Excellence for learning and training, offering a state-of-the-art venue for colleagues and future graduates and apprentices to improve their skills.

Another project is at YW's Clifton wastewater treatment works near Doncaster where sustainable wastewater treatment is underway after the planting of 20,000 wetland plants. The site has been transformed into an integrated constructed wetland, with the clay in the ponds and the plants naturally removing phosphorous from treated wastewater before it is returned to the environment. This reduces the reliance on energy-heavy treatment processes, whilst creating wildlife diversity and achieving a biodiversity net gain.

The interconnected wetland ponds, approximately the size of three Olympic swimming pools, will provide the only wastewater treatment on the site – the first of its kind in Yorkshire – as a trial to monitor nature-based treatment processes. The project will hopefully lead to the creation of other similar sites across Yorkshire, which have already been earmarked for the potential to implement nature-based solutions successfully.



## 4. Operational performance

The Company has continued to show strong performance in both clean and wastewater service delivery.

In July YW was awarded a four-star rating in the EA's annual performance assessment. This was achieved by a very clear focus on performance improvement throughout the wastewater business and demonstrates YW's commitment to environmental protection. Elsewhere in wastewater, the first half of the year saw a strong performance on pollution and treatment works compliance.

In the clean water business, there have been more challenges in the first half of the year, including a series of significant network bursts which worsened the



Company's supply interruption performance despite a significant level of focus. Although the second half of the year is the most important for leakage, YW enters the winter period forecasting that it will meet its regulatory leakage target.

## 5. Financial performance

The key financial performance indicators for the six months ended 30 September 2021 are as follows:

	Period ended 30 September 2021	Period ended 30 September 2020	Change
Revenue	£561.7m	£545.7m	2.9%
Operating costs	£(419.2)m	£(413.4)m	(1.4%)
Exceptional costs	£(6.3)m	£(20.9)m	n/a
Operating profit	£136.2m	£111.4m	22.3%
Adjusted (loss)/profit <sup>1</sup>	(£45.4m)	£53.2m	n/a
Adjusted EBITDA <sup>2</sup>	£308.6m	£295.7m	4.4%

<sup>1</sup> Adjusted (loss)/profit (profit adjusted for exceptional costs and fair value derivative movements)

<sup>2</sup> Adjusted EBITDA (earnings before interest, tax, depreciation, amortisation, and exceptional costs)

Key financial performance highlights include:

- Revenue has increased due to allowed inflationary price increases, a reduction in voids, additional new connections and the impact of revenue under-recovery in 2020/21.
- Operating costs continue to be tightly managed. Costs have risen slightly due to increased energy prices and dry summer weather. Short-term cost reduction plans are making good progress.
- Exceptional costs include £9.3m associated with the ongoing strategic business review of business processes to identify efficiencies. Insurance income, net of mitigation costs, relating to prior year weather events offset the exceptional costs by £3.0m.
- Adjusted EBITDA increased largely due to the increase in revenue. Adjusted profit before the effects of taxation decreased from £66.0m to £38.5m due to higher interest and accretion costs on inflation-linked debt, off-setting increased operating profit. The effects of taxation charge on adjusted loss was £83.9m in the six month period ended 30 September 2021 (six month period ended 30 September 2020: £12.8m).

## **6. Director and Leadership Team changes**

In June 2021 Richard Stuart joined YW as the Company's new Director of Capital Delivery. Richard arrives from Costain where he led teams in complex multi-stakeholder projects and programmes to successfully deliver water, rail, and highways infrastructure.

On 1 July 2021, it was announced that Nevil Muncaster was leaving YW to join Thames Water. Nevil's responsibilities have in the immediate term been reallocated across existing senior management, supplemented by Chris Offer also joining YW to head up the Regulation and Markets teams. Chris has over 20 years' experience working with regulated utilities, most notably 14 years at Affinity Water where he was Director of Regulation & Strategy.

Anthony Rabin stepped down as YW's chair and resigned as a non-executive director on 1 September 2021. He provided the Company with leadership, guidance and wisdom through a period which has seen significant political and regulatory challenges. He has helped YW emerge stronger from that period and with a clear sense of purpose.

Vanda Murray OBE was appointed to YW's board as a non-executive director and chair designate on 1 July 2021. She took over as chair following a handover on 1 September 2021. Vanda brings a host of experience from her roles as non-executive director and chair of Yorkshire-based company Marshalls plc, as senior independent director and chair of the remuneration committee at Bunzl plc and as a non-executive director at Manchester Airports Group.

## **7. 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 2021.

## **8. Regulated capital Investment**

Capital expenditure in the six months to 30 September 2021 was £204.2m (30 September 2020: £193.4m). The 5.6% increase primarily reflects a pause to capital delivery during the early months of the Covid-19 pandemic in 2020.

## **9. Outsourcing**

### **Water Services Partnership**

Over 30 businesses have now been appointed to YW's Innovation Marketplace as part of the Water Services Partnership ("WSP"). Innovation was the last "Lot" to be finalised of YW's WSP which replaces the repair and maintenance

framework for the clean water network. YW is looking for innovative new approaches from these new partners in various areas including water supply interruptions, leakage and avoiding the need to break ground, all with the aim of improving performance, cost efficiency and delivering a better, safer and less intrusive experiences for customers. The appointed businesses will be able to take part in procurement competitions to help YW accelerate the adoption of innovative products and solutions.

### **Smart Meter Framework**

YW is currently procuring two framework agreements for “Smart Metering & Networks” and “Smart Metering New Developments” to support the Company’s move towards smart metering. The Company plans to realise a range of benefits from smart metering, including understanding where leakage is occurring, improving billing and reducing operational carbon.

### **Brand & PR**

YW recently invited PR, brand and creative agencies to tender for marketing contracts. Successful brand and marketing agencies will support the in-house team to bring to life the delivery of its brand strategy, brand campaigns and support with strategic planning, creative direction, art working and media buying. PR agencies will support the development of on and offline content plans, deliver online assets that support a strategic content plan, assist with influencer marketing campaigns, and support the team to manage PR stunts and photo calls to maximise media coverage.

## **10. Financing**

In April 2021, YW’s primary financing subsidiary, Yorkshire Water Finance Plc (“YWF”), issued its third sustainability bond. The £350.0m Class A issuance had a coupon of 1.750% and a tenor of 11.5 years. Proceeds from the bond were loaned to YW and primarily used to pay down £320.0m of drawings on the Company’s Revolving Credit Facility (“RCF”).

### **Sustainable Finance**

YW launched its Sustainable Finance Framework (the “Framework”) in January 2019 and has since raised £1.2bn in sustainability loans and bonds from the platform. The majority of YW’s debt will continue to be issued off the Framework.

The 2020/21 annual [Impact Report](#) for the Framework was released in October 2021 alongside an update to YW’s “[Our Contribution to Yorkshire](#)” report. Together, the reports estimate the holistic impact YW has on both society and the environment, by assessing impact against the Six Capitals. The key

information contained within the reports has been assured by a third party, DNV GL.

## Derivatives Portfolio

YW has the following portfolios of derivatives:

Swap Type	Notional	MtM	Fair Value	Hedging	Designated Hedge
Inflation Linked	£1,289m	£(2,969.5)m	£(2,409.4)m	Inflation linked income	No
Fixed to Floating Interest Rate	£430m	£50.3m	£49.0m	Fixed rate bonds	Yes
Floating to Fixed Interest Rate	£45m	£(20.2)m	£(19.0)m	Finance leases	No
Cross Currency	USD410m	£54.4m	£54.1m	USD USPP notes	Yes
Cross Currency	AUD50m	£(5.5)m	£(5.5)m	AUD bond	Yes
<b>Total</b>		<b>£(2,890.5)m</b>	<b>£(2,330.8)m</b>		

The maturity profile of the derivative portfolios is:

Inflation Linked Swaps		Notional Value
With Breaks (break date)	PAYG	£m
2025	N	23.4
2028	N	88.5
2028	Y	21.7
2030	N	117.5
2033	N	15.4
2033	Y	25.9
<b>Sub total - IL Swaps with breaks</b>		<b>292.5</b>
No Breaks (maturity)	PAYG	£m
2026	N	176.9
2038	N	28.6
2038	Y	115.9
2041	Y	15.4
2043	N	272.1
2043	Y	46.5
2048	Y	225.5
2063	N	115.5
<b>Sub total - IL Swaps with no breaks</b>		<b>996.5</b>
<b>Total Inflation Linked Swaps</b>		<b>1,289.0</b>

Interest Rate Swaps (no breaks)	Notional Value
by Maturity	£m
2029 <sup>1</sup>	340.0
2030 <sup>2</sup>	20.0
2032 <sup>2</sup>	25.0
2033 <sup>1</sup> (Class B)	90.0
<b>Total £ vanilla swaps</b>	<b>475.0</b>

<sup>1</sup> Fixed to Floating

<sup>2</sup> Floating to Fixed

Cross currency swaps (no breaks)	Notional Value
by Maturity	USDm
2021	115.0
2022	40.0
2022 (Class B)	75.0
2023	150.0
2024	30.0
<b>Total USD cross currency swaps</b>	<b>410.0</b>
by Maturity	AUDm
2023	50.0
<b>Total AUD cross currency swaps</b>	<b>50.0</b>

These derivatives are held with eligible counterparties in accordance with the CTA's Hedging Policy.

### Inflation Linked Swaps ("ILS")

YW's portfolio of ILS has the following cash flow characteristics:

- 1) YW pays semi-annual coupons linked to movements in RPI; and
- 2) YW receives semi-annual LIBOR-linked coupons; and
- 3) YW pays RPI-linked accretion on maturity ("bullet"); or
- 4) YW pays RPI-linked accretion at specific intervals, known as "pay as you go" ("PAYG").

At 30 September 2021, the total Mark to Market (“MtM”) of ILSs was £(2,969.5)m, of which £(2,042.4)m (68%) represented the present value of forecast accretion payments calculated with reference to prevailing market rates. Historical unpaid accretion on ILSs is reported in YW’s statutory financial statements and included as indebtedness when calculating gearing for covenants reported under the Finance Documents.

### Interest Rate Benchmark Reform

YW is making made good progress in amending existing borrowing and hedging agreements that reference London Interbank Offered Rates (“LIBOR”). Detailed amendments are in the process of being finalised to reference the Sterling Overnight Index Average (“SONIA”). The Company expects to have completed these amendments before the cessation of LIBOR at the end of 2021.

In October YWF announced that it had signed deed poll, in favour of Deutsche Trustee Company Limited as trustee for holders of YWF’s £200m fixed to floating rate Class B bond due March 2046. This is an enforceable and legally binding pledge to exercise its optional redemption right prior to the end of the bond’s fixed rate period (22 March 2023). The bond pays a fixed coupon of 3.75% until 22 March 2023, when its original terms specify it becomes a floating rate instrument with a coupon calculated by reference to LIBOR.

## 11. 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 YWFG are shown in the table below:

Rating Agency	Class A rating	Class B rating	Outlook	Date of publication
Fitch	A-	BBB-	Stable	9 June 2021
Moody’s	Baa2	Ba1	Stable	10 September 2021
S&P	A-	BBB	Stable	14 April 2021

On 14 April 2021, S&P revised their outlook for both YW’s Class A and Class B ratings to stable from negative and maintained the respective ratings at A- and BBB.



On 12 May 2021, Moody's removed its YW's Corporate Family Rating for its own business reasons. This action did not affect Moody's other published ratings for YW. Moody's continue to publish ratings for YW's Class A and Class B debt and to provide the same depth of analysis to support these ratings.

On 9 June 2021 Fitch affirmed the ratings for YW's Class A and Class B ratings at A- and BBB- respectively, with an unchanged stable outlook.

On 10 September 2021 Moody's revised their outlook for both YW's Class A and Class B ratings to stable from negative and maintained their respective ratings at Baa2 and Ba1.

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

## 12. Surplus

YW's Board and ultimate shareholders are committed to ensuring compliance with its covenanted financial ratios and, 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.

During AMP7, as set out in YW's business plans for PR19, dividends will be determined in line with the following policy:

- Deliver a base dividend from a set yield that recognises the management of economic risks and capital employed.
- Adjust the base dividend to reflect and recognise in-the-round company performance and benefit sharing from service and efficiency performance, particularly performance against relevant targets set in the determination of price limits; the continuing need for investment of profits in the business and the funding of employee interests.
- Transparency in the calculation and payment of dividends and clear justification for payment in relation to the factors outlined above.
- Where it is foreseeable there will be sufficient profits available for distribution and, subject to appropriate financial resilience testing, to continue to pay dividends consistent with the policy.

There were no dividends paid by YW in the six months ended 30 September 2021 for onward distribution to its ultimate shareholders.

### **13. Bank and liquidity facilities held by the YWFG**

YWFG had a combination of available cash and committed undrawn bank facilities totalling £836.6m at 30 September 2021. This comprised £780.8m undrawn committed bank facilities and £55.8m of unrestricted cash and cash equivalents.

At 30 September 2021, there were no amounts drawn on the Company's £560.0m RCF. There were also no amounts drawn on either the £75.0m Operation & Maintenance Reserve ("O&M") liquidity facility or £145.8m Debt Service Reserve ("DSR") liquidity facility. Restricted amounts of £24.3m and £12.5m standing to the credit of the DSR and O&M reserve bank accounts respectively were held in Authorised Investments at 30 September 2021.

### **14. Non-Participating YWSF Bond Reserve**

The balance on the Non-Participating YWSF Bond Reserve at 30 September 2021 was £8.1m.

## 15. Authorised Investments

Authorised Investments at 30 September 2021 were:

Counterparty / Investment	Term Deposits (£m)	Money-Market Funds <sup>1</sup> (£m)	Restricted Term Deposits <sup>2</sup> (£m)	Total (£m)
Aberdeen Standard MMF	-	8.5	-	8.5
Bank of China	10.0	-	4.7	14.7
BNP Paribas	17.9	-	22.1	40.0
Goldman Sachs MMF	-	6.9	-	6.9
HSBC MMF	-	8.6	-	8.6
Lloyds	-	-	18.1	18.1
State Street MMF	-	0.1	-	0.1
<b>Totals</b>	<b>27.9</b>	<b>24.1</b>	<b>44.9</b>	<b>96.9<sup>3</sup></b>

In October 2021, YW became a seed investor in HSBC's newly launched ESG Money Market Fund ("MMF"), contributing to the Company's sustainability goals.

<sup>1</sup> All MMFs are Low-Volatility Net Asset Value ("LVNAV") MMFs.

<sup>2</sup> Restricted balances include amounts associated with the Non-Participating YWSF Bond Reserve (£8.1m), DSR (£24.3m) and O&M Reserve (£12.5m).

<sup>3</sup> Available cash and cash equivalents at 30 September 2021 were £55.8m (Authorised Investments of £96.9m as above, plus £3.8m balances in operating bank accounts, less £44.9m restricted amounts).

## 16. Ratios

The YWFG confirms that in respect of the Calculation Date on 30 September 2021, by reference to the most recent financial statements that the YWFG 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 tables below.

Date	30/09/2021	31/03/2022	31/03/2023	31/03/2024	31/03/2025
	Actual	Forecast	Forecast	Forecast	Forecast
Class A RAR	68.4%	69.4%	70.2%	70.6%	70.8%
Senior RAR	76.0%	76.2%	76.8%	77.0%	77.3%

Test Period	31/03/2022	31/03/2023	31/03/2024	31/03/2025
	Forecast	Forecast	Forecast	Forecast
Class A ICR	3.91x	4.02x	4.25x	4.35x
Class A Adjusted ICR	3.91x	4.02x	4.25x	4.35x
Senior Adjusted ICR	3.56x	3.69x	3.90x	3.99x
Class A Average Adjusted ICR	4.06x	4.21x	4.21x	4.21x
Senior Average Adjusted ICR	3.72x	3.86x	3.86x	3.86x
Conformed Class A Adjusted ICR	1.37x	1.56x	1.65x	1.75x
Conformed Senior Adjusted ICR	1.25x	1.43x	1.51x	1.61x
Conformed Class A Average Adjusted ICR	1.53x	1.65x	1.65x	1.65x
Conformed Senior Average Adjusted ICR	1.40x	1.52x	1.52x	1.52x
Re-profiled Class A ICR	3.98x	3.91x	4.16x	4.19x
Re-profiled Class A Adjusted ICR	1.44x	1.45x	1.56x	1.59x
Re-profiled Senior Adjusted ICR	1.31x	1.33x	1.43x	1.46x
Re-profiled Class A Average Adjusted ICR	1.48x	1.53x	1.53x	1.53x
Re-profiled Senior Average Adjusted ICR	1.35x	1.40x	1.40x	1.40x

The YWFG 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 shown on the following pages.

Test Period		31/03/2022	31/03/2023	31/03/2024	31/03/2025
<b>Class A and Adjusted ICR</b>		<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
Net Cash Flow divided by	£m	582.8	631.6	654.1	679.7
Class A Debt Interest	£m	148.9	156.9	153.7	156.2
<b>Class A ICR</b>	<b>times</b>	3.91	4.02	4.25	4.35
Net Cash Flow	£m	582.8	631.6	654.1	679.7
Less CCD and IRC	£m	0.0	0.0	0.0	0.0
Adjusted Cash Flow divided by	£m	582.8	631.6	654.1	679.7
Class A Debt Interest	£m	148.9	156.9	153.7	156.2
<b>Class A Adjusted ICR</b>	<b>times</b>	3.91	4.02	4.25	4.35
Net Cash Flow	£m	582.8	631.6	654.1	679.7
Less CCD and IRC	£m	0.0	0.0	0.0	0.0
Adjusted Cash Flow divided by	£m	582.8	631.6	654.1	679.7
Senior Debt Interest	£m	163.5	171.2	167.9	170.3
<b>Senior Adjusted ICR</b>	<b>times</b>	3.56	3.69	3.90	3.99
Year 1 Class A Average Adjusted ICR	times	3.91	4.02	4.02	4.02
Year 2 Class A Average Adjusted ICR	times	4.02	4.25	4.25	4.25
Year 3 Class A Average Adjusted ICR	times	4.25	4.35	4.35	4.35
<b>Class A Average Adjusted ICR</b>	<b>times</b>	4.06	4.21	4.21	4.21
Year 1 Senior Average Adjusted ICR	times	3.56	3.69	3.69	3.69
Year 2 Senior Average Adjusted ICR	times	3.69	3.90	3.90	3.90
Year 3 Senior Average Adjusted ICR	times	3.90	3.99	3.99	3.99
<b>Senior Average Adjusted ICR</b>	<b>times</b>	3.72	3.86	3.86	3.86

Test Period		31/03/2022	31/03/2023	31/03/2024	31/03/2025
Conformed ICR		Forecast	Forecast	Forecast	Forecast
Net Cash Flow	£m	582.8	631.6	654.1	679.7
Less RCV run off (Depreciation)	£m	(281.7)	(297.4)	(307.6)	(313.1)
Less IRE not already deducted in the calculation of Net Cash Flow or Depreciation	£m	(96.5)	(89.2)	(93.1)	(93.1)
Fast/Slow Adjustment	£m	(0.0)	0.0	(0.0)	(0.0)
Adjusted Cash Flow divided by	£m	204.6	245.0	253.3	273.4
Class A Debt Interest	£m	148.9	156.9	153.7	156.2
<b>Conformed Class A Adjusted ICR</b>	<b>times</b>	1.37	1.56	1.65	1.75
Net Cash Flow	£m	582.8	631.6	654.1	679.7
Less RCV run off (Depreciation)	£m	(281.7)	(297.4)	(307.6)	(313.1)
Less IRE not already deducted in the calculation of Net Cash Flow or Depreciation	£m	(96.5)	(89.2)	(93.1)	(93.1)
Fast/Slow Adjustment	£m	(0.0)	0.0	(0.0)	(0.0)
Adjusted Cash Flow divided by	£m	204.6	245.0	253.3	273.4
Senior Debt Interest	£m	163.5	171.2	167.9	170.3
<b>Conformed Senior Adjusted ICR</b>	<b>times</b>	1.25	1.43	1.51	1.61
Year 1 Conformed Class A Average Adjusted ICR	times	1.37	1.56	1.56	1.56
Year 2 Conformed Class A Average Adjusted ICR	times	1.56	1.65	1.65	1.65
Year 3 Conformed Class A Average Adjusted ICR	times	1.65	1.75	1.75	1.75
<b>Conformed Class A Average Adjusted ICR</b>	<b>times</b>	1.53	1.65	1.65	1.65
Year 1 Conformed Senior Average Adjusted ICR	times	1.25	1.43	1.43	1.43
Year 2 Conformed Senior Average Adjusted ICR	times	1.43	1.51	1.51	1.51
Year 3 Conformed Senior Average Adjusted ICR	times	1.51	1.61	1.61	1.61
<b>Conformed Senior Average Adjusted ICR</b>	<b>times</b>	1.40	1.52	1.52	1.52



Test Period		31/03/2022	31/03/2023	31/03/2024	31/03/2025
<b>Re-profiled Class A ICR</b>		<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
Net Cash Flow	£m	582.8	631.6	654.1	679.7
Profiling (Revenue Re-profiling) Adjustment	£m	9.6	(17.8)	(13.9)	(25.3)
Re-profiled Net Cash Flow	£m	592.4	613.9	640.2	654.4
Class A Debt Interest	£m	148.9	156.9	153.7	156.2
<b>Re-profiled Class A ICR</b>	<b>times</b>	3.98	3.91	4.16	4.19
Net Cash Flow	£m	582.8	631.6	654.1	679.7
Less Depreciation (RCV run off)	£m	(281.7)	(297.4)	(307.6)	(313.1)
Less IRE not already deducted in the calculation of Net Cash Flow or Depreciation	£m	(96.5)	(89.2)	(93.1)	(93.1)
Fast/Slow (PAYG) Adjustment	£m	(0.0)	0.0	(0.0)	(0.0)
Profiling (Revenue Re-profiling) Adjustment	£m	9.6	(17.8)	(13.9)	(25.3)
Re-profiled Adjusted Net Cash Flow divided by	£m	214.2	227.2	239.4	248.2
Class A Debt Interest	£m	148.9	156.9	153.7	156.2
<b>Re-profiled Class A Adjusted ICR</b>	<b>times</b>	1.44	1.45	1.56	1.59
Net Cash Flow	£m	582.8	631.6	654.1	679.7
Less Depreciation (RCV run off)	£m	(281.7)	(297.4)	(307.6)	(313.1)
Less IRE not already deducted in the calculation of Net Cash Flow or Depreciation	£m	(96.5)	(89.2)	(93.1)	(93.1)
Fast/Slow (PAYG) Adjustment	£m	(0.0)	0.0	(0.0)	(0.0)
Profiling (Revenue Re-profiling) Adjustment	£m	9.6	(17.8)	(13.9)	(25.3)
Re-profiled Adjusted Net Cash Flow divided by	£m	214.2	227.2	239.4	248.2
Senior Debt Interest	£m	163.5	171.2	167.9	170.3
<b>Re-profiled Senior Adjusted ICR</b>	<b>times</b>	1.31	1.33	1.43	1.46
Year 1 Re-profiled Class A Average Adjusted ICR	times	1.44	1.45	1.45	1.45
Year 2 Re-profiled Class A Average Adjusted ICR	times	1.45	1.56	1.56	1.56
Year 3 Re-profiled Class A Average Adjusted ICR	times	1.56	1.59	1.59	1.59
<b>Reprofiled Class A Average Adjusted ICR</b>	<b>times</b>	1.48	1.53	1.53	1.53

Test Period		31/03/2022	31/03/2023	31/03/2024	31/03/2025
Re-profiled Class A ICR		Forecast	Forecast	Forecast	Forecast
Year 1 Re-profiled Senior Average Adjusted ICR	times	1.31	1.33	1.33	1.33
Year 2 Re-profiled Senior Average Adjusted ICR	times	1.33	1.43	1.43	1.43
Year 3 Re-profiled Senior Average Adjusted ICR	times	1.43	1.46	1.46	1.46
<b>Reprofiled Senior Average Adjusted ICR</b>	<b>times</b>	1.35	1.40	1.40	1.40

Test Period		30/09/2021	31/03/2022	31/03/2023	31/03/2024	31/03/2025
Gearing		Actual	Forecast	Forecast	Forecast	Forecast
Class A debt	£m	5,123.1	5,295.5	5,622.4	5,779.9	5,818.5
Less Cash balances	£m	(92.2)	(56.5)	(55.3)	(38.6)	(12.7)
Class A Net Debt	£m	5,030.8	5,239.0	5,567.1	5,741.3	5,805.8
Class B debt	£m	555.2	511.2	517.4	521.9	526.4
Senior Net Debt	£m	5,586.0	5,750.1	6,084.5	6,263.2	6,332.2
Regulatory Capital Value ("RCV")	£m	7,350.1	7,547.9	7,925.4	8,133.1	8,195.9
<b>Class A RAR</b>	<b>%</b>	68.4%	69.4%	70.2%	70.6%	70.8%
<b>Senior RAR</b>	<b>%</b>	76.0%	76.2%	76.8%	77.0%	77.3%

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

Net debt	Reference	30/09/2021 Actual
		£m
YW net debt at 30 September 2021	Note 7 to YW's interims	4,526.3
Net amounts owed from group companies	Note 7 to YW's interims	945.3
Fair value adjustment to amounts owed to subsidiary companies	Note 7 to YW's interims	(86.0)
Unamortised issue costs	Note 7 to YW's interims	19.6
Intercompany loans to / (from) other members of the YWFG that reverse on consolidation	Note 7 to YW's interims	(15.9)
RPI-bullet accrued	Note 9 to YW's interims	196.7
<b>Senior Net Indebtedness</b>		<b>5,586.0</b>
<b><i>of which Class A Net Indebtedness</i></b>		<b>5,030.8</b>

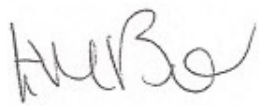
The YWFG certifies that on 30 September 2021 the Annual Finance Charge for the twelve months to 31 March 2022 is forecast at £166.7m. Excess Funds of £17.6m were held in the Debt Service Payment Account as at 31 March 2021. Therefore, the Monthly Payment Amount is forecast at £12.5m.

This Investors Report also confirms that:

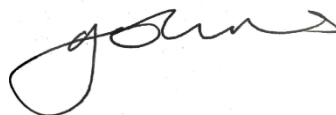
- (a) no Default or Potential Trigger Event is outstanding; and
- (b) that YW's insurances are being maintained in accordance with:
  - (i) the CTA; and
  - (ii) the provisions of the Finance Leases.

Yours faithfully

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

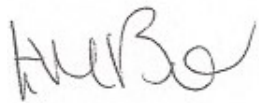


Liz Barber  
Chief Executive Officer

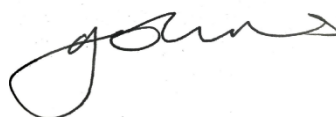


Chris Johns  
Chief Financial Officer

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

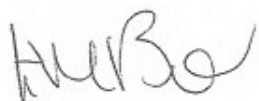


Liz Barber  
Director

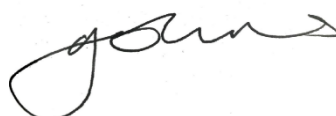


Chris Johns  
Director

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



Liz Barber  
Director



Chris Johns  
Director

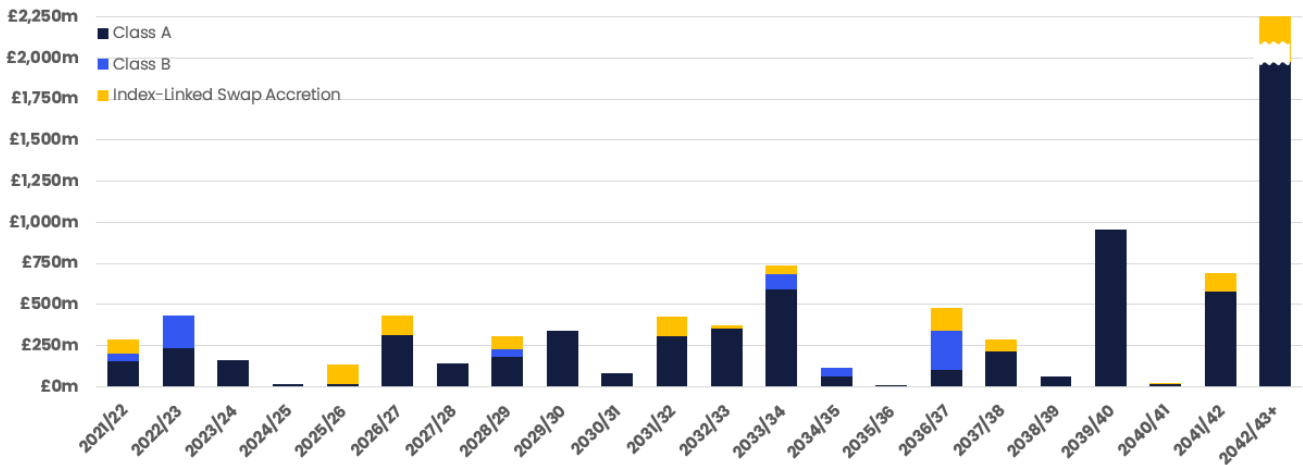
# 17. Appendix

## YWFG Capital Structure at 30 September 2021



Source: Management analysis as at 30 September 2021. \*\* Outstanding at time of issue.

## YWFG Debt Maturity Profile at 30 September 2021



Source: Management analysis as at 30 September 2021:

- Includes existing and forecast inflation on IL Bonds.
- Includes existing and forecast accretion paydowns on IL Swaps - Termination Date and PAYG payments (assumes break dates do not occur).
- Excludes amounts drawn on Committed Bank and Liquidity Facilities.

## Contact Details

*For further information regarding this  
Investors Report please contact:*

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