

Kelda Finance (No.2) Limited

Condensed interim Financial Statements

Registered number 08072102

For the six month period ended 30 September 2023



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Information to accompany the condensed interim Financial Statements

The results for Kelda Finance (No.2) Limited (the company) for the six month period ended 30 September 2023 are presented in this report.

Principal activities and business review

The company is a wholly owned subsidiary within the Kelda Holdings Limited group (Kelda group) and operates as part of the Kelda group's regulated water and wastewater business. The principal activity of the company during the period and in the foreseeable future is that of raising finance for use in the business of the Kelda group.

In June 2023 Kelda Eurobond Co Limited made a £15.0m intercompany loan repayment to the company. The company placed the cash received in a debt service reserve bank account.

In July 2023 the terms of borrowings totalling £95.0m due in May 2024 and September 2024 were amended to extend the maturity dates to December 2025. The interest rate margins on the loans were also amended.

Financial performance and outlook

During the six month period ended 30 September 2023 the company continued to focus on delivering excellent internal services and performed in line with management expectations.

It is anticipated that the company will continue to follow the same model for the foreseeable future, a view which is supported by the balance sheet strength being underpinned by the performance of its investments.

Principal risks and uncertainties

The risks which the company are exposed to include interest rate, credit, liquidity and market risk in relation to financial instruments. The principal risks and uncertainties for the group, and how these are mitigated, are included in the Kelda Holdings Limited Annual Report and Financial Statements for the year ended 31 March 2023 (which do not form part of these condensed interim Financial Statements).

Responsibility statement

These condensed interim Financial Statements, which have been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit or loss for the period. The directors confirm that the condensed interim Financial Statements have been prepared in accordance with FRS 104 'Interim Financial Reporting' issued by the Financial Reporting Council, and that the interim management report includes a fair review of the information required by Disclosure Guidance and Transparency Rules (DTR) 4.2.7. As the company does not issue listed shares, DTR 4.2.8 in respect of related party transactions has not been applied.

Condensed Profit and Loss Account

for the six month period ended 30 September 2023

	Note	Unaudited six month period ended 30 September 2023 £'000	Unaudited six month period ended 30 September 2022 £'000
Income from shares in group undertakings		17,700	38,479
Interest receivable and similar income		8,474	4,909
Interest payable and similar charges		(19,754)	(12,840)
Fair value movements on financial instruments		4,433	11,423
Impairment of intercompany receivables		(73)	-
		<hr/>	<hr/>
Profit before taxation		10,780	41,971
Taxation	2	1,712	(1,373)
		<hr/>	<hr/>
Profit for the six month period		12,492	40,598
		<hr/> <hr/>	<hr/> <hr/>

Condensed Statement of Comprehensive Income and Expense

for the six month period ended 30 September 2023

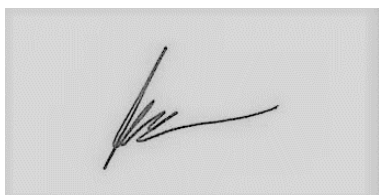
	<i>Note</i>	Unaudited six month period ended 30 September 2023 £'000	Unaudited six month period ended 30 September 2022 £'000
Profit for the six month period		12,492	40,598
Items that may be subsequently reclassified to profit or loss:			
Movements on cash flow hedges taken to equity before taxation	9	2,408	9,179
Tax on cash flow hedges	2	(602)	(2,295)
Total comprehensive income for the six month period		<u>14,298</u>	<u>47,482</u>

Condensed Balance Sheet

as at 30 September 2023

	Note	Unaudited at 30 September 2023 £'000	Audited at 31 March 2022 £'000
Fixed assets			
Investments	3	778,461	778,461
Non-current debtors	4	175,459	191,948
Derivative financial instruments	9	19,705	12,863
		<hr/> 973,625	<hr/> 983,272
Current assets			
Current debtors	4	8,164	4,761
Cash and cash equivalents		19,491	4,780
		<hr/> 27,655	<hr/> 9,541
Creditors: amounts falling due within one year	5	(12,720)	(10,606)
		<hr/> 14,935	<hr/> (1,065)
Net current assets/(liabilities)		<hr/> 14,935	<hr/> (1,065)
Total assets less current liabilities		<hr/> 988,560	<hr/> 982,207
Creditors: amounts falling due after more than one year	6	(453,847)	(454,248)
Deferred tax liability		(162)	-
		<hr/> 534,551	<hr/> 527,959
Net assets		<hr/> 534,551	<hr/> 527,959
Capital and reserves			
Hedging reserve		5,861	4,055
Profit and loss account		528,690	523,904
		<hr/> 534,551	<hr/> 527,959
Total shareholders' funds		<hr/> 534,551	<hr/> 527,959

The condensed interim Financial Statements, which are unaudited, were approved by the Board of directors on 29 November 2023 and signed on its behalf by:



P S Inman
Director

Condensed Statement of Changes in Equity

for the six month period ended 30 September 2023

	Called up Note Share capital £'000	Hedging reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
Balance at 1 April 2023	-	4,055	523,904	527,959
Profit for the period	-	-	12,492	12,492
Other comprehensive income for the period	-	1,806	-	1,806
Total comprehensive income for the six month period	-	1,806	12,492	14,298
Dividends	8	-	(7,706)	(7,706)
Total distributions	-	-	(7,706)	(7,706)
Balance at 30 September 2023	-	5,861	528,690	534,551

	Called up Note Share capital £'000	Hedging reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
Balance at 1 April 2022	-	-	516,533	516,533
Profit for the period	-	-	40,598	40,598
Other comprehensive income for the period	-	6,884	-	6,884
Total comprehensive income for the six month period	-	6,884	40,598	47,482
Dividends	8	-	(30,279)	(30,279)
Total distributions	-	-	(30,279)	(30,279)
Balance at 30 September 2022	-	6,884	526,852	533,736

Notes to the condensed interim Financial Statements

1 Basis of preparation and accounting

The financial information for the six month period ended 30 September 2023 has been prepared in accordance with FRS 104 'Interim Financial Reporting' and the Companies Act 2006. The financial information for the six month period ended 30 September 2023 and the equivalent period in 2022 has not been audited and does not constitute statutory accounts.

The accounting policies, methods of computation and presentation in these accounts are consistent with those that were applied in the annual Financial Statements of Kelda Finance (No.2) Limited for the year ended 31 March 2023. The auditor's report on those accounts was unqualified. The company's Financial Statements are prepared under the historical cost convention in compliance with Financial Reporting Standard 101 Reduced Disclosure Framework.

2 Taxation

	Unaudited six month period ended 30 September 2023 £'000	Unaudited six month period ended 30 September 2022 £'000
Taxation	1,712	(1,373)
Deferred tax recognised in other comprehensive income	(602)	(2,295)

3 Investments

	Subsidiary undertakings £'000
Cost At 31 March 2023 and 30 September 2023	778,461
Net book value At 31 March 2023 and 30 September 2023	778,461

Notes to the condensed interim Financial Statements

3 Investments (continued)

The company has the following investments in subsidiaries whose registered office, is Western House, Halifax Road, Bradford, BD6 2SZ.

	Country of Incorporation	Nature of business	Class of shares held	Ownership	
				September 2023	March 2023
Yorkshire Water Services Holdings Limited	England & Wales	Holding company	Ordinary	100%	100%
Kelda Finance (No.3) Plc	England & Wales	Dormant	Ordinary	100%	100%
* Yorkshire Water Services Limited	England & Wales	Water services	Ordinary	100%	100%
* Yorkshire Water Services Finance Limited	England & Wales	Finance company	Ordinary	100%	100%
* Yorkshire Water Finance Plc	England & Wales	Finance company	Ordinary	100%	100%

* Indirect holding

4 Debtors

	Unaudited at 30 September 2023 £'000	Audited at 31 March 2023 £'000
Current debtors	8,164	4,761
Non-current debtors	175,459	191,948

Non-current debtors includes a loan of £176,124,000, before expected credit loss provision, owed by Kelda Eurobond Co Limited at an interest rate calculated as the weighted average of interest rates due on the company's secured bank loans maturing in December 2025 and May 2027 plus 0.10%. The loan is unsecured and repayable on demand. The directors do not expect the loan to be repaid within the next 12 months.

In addition, non-current debtors includes deferred tax assets of £nil (31 March 2023: £1,421,000) recoverable after 12 months.

Current debtors includes £2,693,000 (31 March 2023: £nil) owed by Kelda group companies for group taxation relief and £5,461,000 (31 March 2023: £4,754,000), before expected credit loss provision, is due from Kelda Eurobond Co Limited for accrued loan interest receivable. These amounts are unsecured, interest free and are repayable on demand.

Notes to the condensed interim Financial Statements

5 Creditors: amounts falling due within one year

	Unaudited at 30 September 2023 £'000	Audited at 31 March 2023 £'000
Amounts owed to group undertakings	83	20
Accrued interest	12,637	10,586
	12,720	10,606

The amounts owed to group undertakings are unsecured, interest free, have no contractual repayment date, and are repayable on demand.

6 Creditors: amounts falling due after more than one year

	Unaudited at 30 September 2023 £'000	Audited at 31 March 2023 £'000
Secured bank loans	453,847	454,248

7 Analysis of net debt

	Unaudited at 30 September 2023 £'000	Audited at 31 March 2023 £'000
Cash and cash equivalents	(19,491)	(4,780)
Long term borrowings:		
Secured bank loans	453,847	454,248
	453,847	454,248
Total net debt	434,356	449,468

Notes to the condensed interim Financial Statements

8 Dividends paid

	Unaudited six month period ended 30 September 2023	Unaudited six month period ended 30 September 2022
	£'000	£'000
Dividends paid	7,706	30,279

9 Derivative financial assets

	Unaudited as at 30 September 2023	Audited as at 31 March 2023
	£m	£m
Derivative financial assets:		
Floating to fixed interest rate swaps	19,705	12,863

	Unaudited six month period ended 30 September 2023	Unaudited six month period ended 30 September 2022
	£m	£m
Derivative fair value movements in statement of profit and loss account:		
Movement in fair value of floating to fixed interest rate swaps	4,433	11,423
Derivative fair value movements in statement of comprehensive income and expense:		
Movement in fair value of floating to fixed interest rate swaps	2,408	9,179

Notes to the condensed interim Financial Statements

9 Derivative financial assets *(continued)*

The company holds £152,000,000 notional value (31 March 2023: £152,000,000) of floating to fixed rate interest swaps to economically hedge interest rate risk on floating rate debt. Floating to fixed interest rate swaps are recognised as assets at a fair value of £19,705,000 at 30 September 2023 (31 March 2023: £12,863,000).

Swaps with notional value of £65,000,000 have been designated in a cash flow hedge relationship with a £65,000,000 bank loan drawn in April 2022. The net fair value income of these swaps of £2,408,000 in the period ended 30 September 2023 (six month period to 30 September 2022: £9,179,000) has been recognised in the condensed statement of comprehensive income and expense. The remaining swaps with £87,000,000 notional value have not been designated in hedge relationships, and the net fair value income of these swaps of £4,433,000 in the period ended 30 September 2023 (six month period to 30 September 2022: £11,423,000) has therefore been recognised in the condensed profit and loss account.

