

# **Yorkshire Water Services Finance Limited**

Annual Report and Financial Statements

Registered number 04636719

Year ended 31 March 2024

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## Directors and advisers

### Directors

L N Shaw  
P S Inman

### 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

National Westminster Bank Plc  
Leeds City Office  
8 Park Row  
Leeds  
LS1 5HD

## Strategic report

The directors present their strategic report on Yorkshire Water Services Finance Limited (the company) for the year ended 31 March 2024.

### Principal activities and business review

The company is a wholly owned subsidiary of 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 continues to be that of managing finance previously raised for use in the business of its immediate parent company, Yorkshire Water Services Limited (Yorkshire Water). On 3 July 2008, the company became principal debtor under bonds previously held by Kelda Group Limited which are unconditionally and irrevocably guaranteed by Yorkshire Water.

The Yorkshire Water Financing Group (YWFG) was established in 2009 when the Whole Business Securitisation (WBS) of Yorkshire Water and its subsidiaries was completed and provides a permanent and stable platform for the long-term financing of Yorkshire Water. The WBS created a ring-fence around the YWFG, now comprising Yorkshire Water, Yorkshire Water Services Holdings Limited, Yorkshire Water Finance Plc and the company.

No new debt has been raised by the company since the WBS. Future debt will be raised by other companies within the YWFG.

For the year ended 31 March 2024 the company made a profit after taxation of £2,276,000 (2023: loss of £1,109,000) primarily due to the decrease of the credit loss provision.

### Performance and future outlook

During the year to 31 March 2024 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.

### Key performance indicators

Kelda group manages its operations on a divisional basis and the company directors do not believe that further key performance indicators for the company are necessary to enhance the understanding of the development, performance, or position of the business. The performance of the regulated water and wastewater business, which includes this company, is discussed in Kelda Eurobond Co Limited's Annual Report and Financial Statements (which does not form part of this report).

### 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 and are discussed in note 14. The principal risks and uncertainties for the Kelda group, and how these are mitigated, are discussed in the Kelda Eurobond Co Limited Annual Report and Financial Statements (which does not form part of this report).

## Strategic report *(continued)*

### Financial risk management

The objectives when managing capital are to safeguard the YWFG's ability to continue as a going concern in order to provide benefits to stakeholders and returns to investors, and to maintain an optimal capital structure. In order to do this, the company's debt and assets, and the liquidity of these, are assessed jointly with the other companies that form YWFG.

When monitoring capital risk, the YWFG considers interest cover measures and gearing, expressed as the ratio of net debt to Regulatory Capital Value (RCV) of Yorkshire Water.

Any surplus funds or amounts required to be held in reserve are entirely invested in liquid short-term instruments with long-term ratings of at least A-/A-/A3 and/or short-term ratings of at least A1/F1/P1 with Standard & Poor's, Fitch, and Moody's respectively.

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

### **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 2024. The company's principal activity is that of a financing company. The company has no employees, customers or suppliers, however it has business relationships with providers of finance and other companies within the Kelda group. Through their actions, the directors operate the company in a manner consistent with Kelda group's high standards of business conduct. The company's largest United Kingdom (UK) holding company is Kelda Eurobond Co Limited, a copy of whose s172(1) Statement can be found in its 2023/24 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:



**P S Inman**  
*Director*

19 July 2024

## Directors' report

The directors present their Annual Report and the audited Financial Statements of the company for the year ended 31 March 2024.

### Results

The company's result for the year was a profit after taxation of £2,276,000 (2023: loss of £1,109,000). As at 31 March 2024, the company has a net liabilities position of £1,132,000 (2023: net liabilities of £3,408,000).

All outstanding intercompany loan receivable balances have been assessed for expected credit losses, which have been estimated based on a forward-looking economic assessment in line with the requirements of IFRS 9. The result for the year includes a reversal of intercompany loan receivable impairment of £2,276,000 (2023: impairment of £1,109,000) and does not increase or decrease the net debt position of the Kelda group as a whole.

### Proposed dividend

The directors do not recommend the payment of a dividend (2023: £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 14 to these Financial Statements.

### 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:

L N Shaw  
P S Inman

## Directors' report *(continued)*

### Going concern

The company's business activities, together with the likely factors to affect its future development, performance and position are set out in the strategic report.

The directors believe that preparing the Financial Statements on the going concern basis is appropriate given the interdependencies between the company and its parent, Yorkshire Water. The company is a financing company with the principal activity of managing finance previously raised for use in the business of Yorkshire Water. Under the terms of the company's financing arrangement, Yorkshire Water guarantees all the company's borrowings and derivatives, therefore whilst Yorkshire Water continues in operation, this group company is able to ensure that all financing obligations are met. As part of determining if the going concern assumption is appropriate for this company, the directors have challenged and scrutinised the ability of Yorkshire Water to continue as a going concern including a review of severe but reasonably possible scenarios.

Yorkshire Water had available a combination of cash and committed undrawn facilities totalling £981.7m at 31 March 2024 (2023: £682.9m), comprising £932.0m (2023: £389.0m) undrawn committed facilities and £49.7m (2023: £293.9m) of cash and cash equivalents. The directors have considered the business plan and the cash position of Yorkshire Water, specifically the sufficiency of the funds available to fund the operating and capital investment activities of the company for the 12 months from the date of signing these Financial Statements. In addition, Yorkshire Water has an indefinite licence to operate as a water and sewerage operator terminable with a 25-year notice period.

The directors believe that there are no material uncertainties that could cast significant doubt over the ability of Yorkshire Water to continue as a going concern, and therefore in turn the ability of the company to continue as a going concern. The directors have adopted the going concern basis of accounting in preparing the Financial Statements.

### 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.

### 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

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

## **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 UK Generally Accepted Accounting Practice (UK 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 UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.



## Directors' report *(continued)*

### Responsibility statement

We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with UK Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework", give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the company, and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and Financial Statements, taken as a whole, are fair, balanced, and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of directors on 19 July 2024 and is signed on its behalf by:

A handwritten signature in black ink, appearing to be 'P S Inman', written on a light-colored background.

**P S Inman**

*Director*

19 July 2024

# Independent auditor's report to the members of Yorkshire Water Services Finance Limited

## Report on the audit of the Financial Statements

### 1. Opinion

In our opinion the Financial Statements of Yorkshire Water Services Finance Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2024 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;
- the related notes 1 to 16.

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).

### 2. 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 as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 3. Summary of our audit approach

<b>Key audit matters</b>	The key audit matter that we identified in the current year was: <ul style="list-style-type: none"><li>• Recoverability of receivables from group undertakings</li></ul> Within this report, key audit matters are identified as follows: Similar level of risk <>
<b>Materiality</b>	The materiality that we used in the current year was £9.1m which represents 0.8% of total assets.
<b>Scoping</b>	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
<b>Significant changes in our approach</b>	There have been no significant changes in our audit approach in the year.

# Independent auditor's report to the members of Yorkshire Water Services Finance Limited

## 4. Conclusions relating to going concern

In auditing the Financial Statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- understanding the company's financing facilities including their maturity, compliance with interest cover ratios and other covenants, and obtaining confirmation of undrawn facilities;
- testing the going concern model for the Kelda Holdings Limited group (the "Group") for consistency with the business model and the forecasts used for infrastructure asset valuation;
- testing the accuracy of the model and assessing the historical accuracy of forecasts prepared by management;
- assessing the key assumptions used in the forecasts, such as revenue levels and both operating and capital expenditure, including the current and forecast economic environment with high inflation and households suffering a cost-of-living crisis;
- performing sensitivity analysis including consideration of contradictory evidence, latest third party economic forecasts, latest ratings agency reports, Ofwat financial resilience measures and FY25 results to date;
- involving our debt advisory specialists to assist in our evaluation of the above;
- assessing any risk of management manipulation of key financial metrics that would impact covenant calculations; and
- assessing the appropriateness of the going concern disclosures made in the Financial Statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## 5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# Independent auditor's report to the members of Yorkshire Water Services Finance Limited

## 5.1. Recoverability of receivables from group undertakings <>

**Key audit matter description** Yorkshire Water Services Finance Limited is part of the Kelda Holdings Limited Group (the "Group").

Receivables from group undertakings are stated in the balance sheet at £1,142m (2023: £1,095m).

There is judgement involved in determining the recoverability of these receivables from group undertakings based on the financial position and future prospects of the entities which Yorkshire Water Services Finance Limited has loaned amounts to. The assessment of recoverability takes into consideration a range of factors such as the trading performance of the Group, the ability of the Group to secure financing and the Group's ability to respond to changing demands of the regulated market.

For further details of the amounts receivable from Group companies please see note 9 of the Financial Statements and note 1 for the accounting policies in relation to intercompany loans.

**How the scope of our audit responded to the key audit matter** We challenged the directors' judgements regarding the recoverability of receivable amounts recognised and provisions estimate in respect of lifetime expected credit losses through assessing the expected credit loss calculation, the latest forecasts prepared by management and the current trading performance of the related Group undertakings. We also assessed the ability of the group undertakings to repay amounts as they fall due by assessing the underlying net asset position of the counterparty and the availability and liquidity of those assets.

**Key observations** Based on the work performed we concluded that receivables from group undertakings were appropriately stated.

## 6. Our application of materiality

### 6.1. Materiality

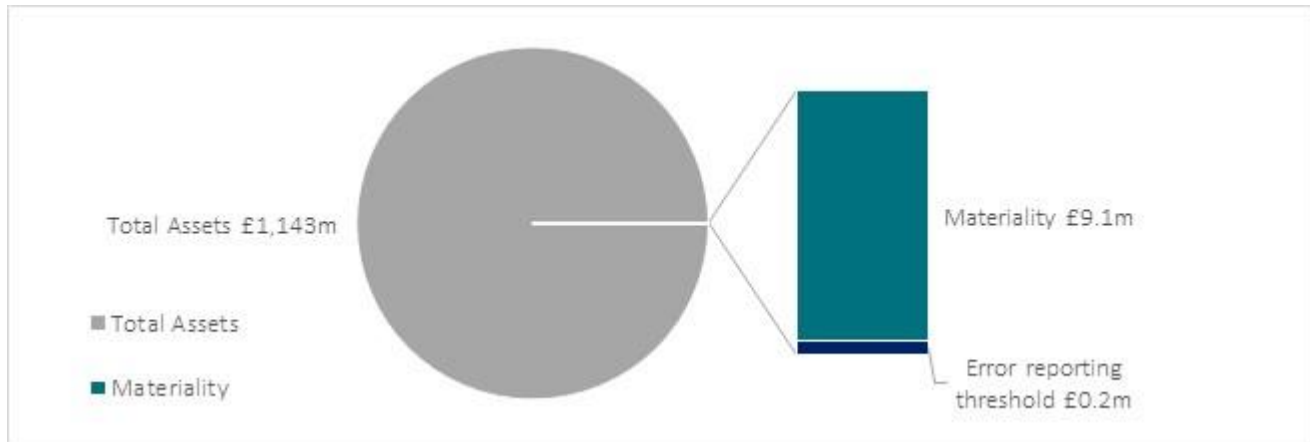
We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

# Independent auditor's report to the members of Yorkshire Water Services Finance Limited

## 6.1. Materiality (continued)

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

<b>Materiality</b>	£9.1m (2023: £10.1m)
<b>Basis for determining materiality and rationale for the benchmark applied</b>	<p>In determining materiality, we considered the primary purpose of the company which is to provide financing to Yorkshire Water Services Limited. Accordingly, the company's balance sheet strength is considered to be the key financial metric of relevance to the users of the Financial Statements. However, the company is also a component of the consolidated Financial Statements of Kelda Holdings Limited. Therefore the component materiality applied to the company was determined as £9.1m (2023: £10.1m), an amount lower than the materiality applied to the consolidated Financial Statements as a whole. Moreover, in both the current year and prior year, all audit work for the statutory audit of the company was also performed at this materiality.</p> <p>As such, the materiality applied in the audit of the Financial Statements for the company was £9.1m, which equates to approximately 0.8% of total assets.</p>



## 6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the Financial Statements as a whole. Performance materiality was set at 70% of materiality for the 2024 audit (2023: 70%). In determining performance materiality, we considered the following factors:

- our risk assessment, including our assessment of the company's overall control environment and whether we were able to rely on controls; and
- our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

## 6.3. Error reporting threshold

We agreed with the directors that we would report to them all audit differences in excess of £0.2m (2023: £0.2m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the directors on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

# Independent auditor's report to the members of Yorkshire Water Services Finance Limited

## 7. An overview of the scope of our audit

### 7.1. Scoping

Our audit was scoped by obtaining an understanding of the company and its environment, including key controls surrounding the financial reporting cycle and identified key audit matter, and assessing the risks of material misstatement to the company. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

### 7.2. Our consideration of the control environment

We have considered the key IT system that was relevant to the audit to be the SAP system, which is the core IT system used for recording the financial transactions of the entity. We involved our IT specialists to assess the relevant General IT controls ('GITCs') and test a sample of the controls instances.

We have relied on the SAP system through testing the GITCs in place, and where deficiencies have been noted, appropriate mitigations have been identified. This included assessing whether inappropriate activity has been conducted on this system and whether the risk of adverse effects on financial information has been addressed.

## 8. Other information

The other information comprises the information included in the annual report, other than the Financial Statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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.

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 course of 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 this gives rise to a material misstatement in the Financial Statements themselves. 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 this regard.

## 9. 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.

# Independent auditor's report to the members of Yorkshire Water Services Finance Limited

## 10. 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## 11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

### 11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the company's own assessment of the risks that irregularities may occur either as a result of fraud or error;
- results of our enquiries of management, internal audit and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's sector;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including financial instruments and IT specialists regarding how and where fraud might occur in the Financial Statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the Financial Statements. The key laws and regulations we considered in this context included the UK Companies Act, listing rules and tax legislation.

# Independent auditor's report to the members of Yorkshire Water Services Finance Limited

## 11.1. Identifying and assessing potential risks related to irregularities *(continued)*

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the Financial Statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the licence conditions imposed by The Water Services Regulation Authority (Ofwat).

## 11.2. Audit response to risks identified

As a result of performing the above, we did not identify any key audit matter related to the potential risk of fraud or non-compliance with laws and regulations.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the Financial Statements;
- enquiring of management, the directors and in house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, Ofwat and other regulatory authorities;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

## Report on other legal and regulatory requirements

### 12. Opinions 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 Yorkshire Water Services Finance Limited

## 13. Matters on which we are required to report by exception

### 13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

### 13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

## 14. Other matters

### 14.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the board of directors on 10 October 2017 to audit the Financial Statements for the year ending 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 7 years, covering years ending 31 March 2018 to 31 March 2024.

### 14.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

## 15. 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.



Christopher Robertson (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Leeds, United Kingdom

19 July 2024

## Profit and loss account for the year ended 31 March 2024

	<i>Note</i>	<b>2024</b> <b>£'000</b>	2023 £'000
Reversal of impairment/(impairment) of intercompany receivables		<b>2,276</b>	(1,109)
Interest receivable and similar income	6	<b>70,594</b>	131,188
Interest payable and similar expenses	7	<b>(70,594)</b>	(131,188)
<b>Profit/(loss) before taxation</b>		<b>2,276</b>	(1,109)
<b>Taxation</b>	8	-	-
<b>Profit/(loss) for the financial year</b>		<b>2,276</b>	(1,109)

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 2024

	Note	<b>2024</b> <b>£'000</b>	Restated <sup>1</sup> 2023 £'000
<b>Current assets</b>			
Current debtors	9	<b>1,142,465</b>	1,095,985
Cash and cash equivalents		<b>614</b>	614
		<hr/>	<hr/>
		<b>1,143,078</b>	1,096,598
<b>Creditors:</b> amounts falling due within one year	10	<b>(7,285)</b>	(7,213)
		<hr/>	<hr/>
<b>Net current assets</b>		<b>1,135,794</b>	1,089,385
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>1,135,794</b>	1,089,386
		<hr/>	<hr/>
<b>Creditors:</b> amounts falling due after more than one year	11	<b>(1,136,926)</b>	(1,092,794)
		<hr/>	<hr/>
<b>Net liabilities</b>		<b>(1,132)</b>	(3,408)
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	13	<b>50</b>	50
Profit and loss account	13	<b>(1,182)</b>	(3,458)
		<hr/>	<hr/>
<b>Total shareholder's deficit</b>		<b>(1,132)</b>	(3,408)
		<hr/>	<hr/>

These Financial Statements on pages 16 to 31 were approved by the Board of directors and authorised for issue on 19 July 2024 and were signed on its behalf by:



**P S Inman**  
Director

Company registered number: 04636719

<sup>1</sup> Restated, see note 1.

## Statement of changes in equity for the year ended 31 March 2024

	<b>Called up share capital £'000</b>	<b>Profit and loss account £'000</b>	<b>Total shareholder's deficit £'000</b>
Balance at 1 April 2023	50	(3,458)	(3,408)
<b>Total comprehensive income for the year</b>			
Profit for the financial year	-	2,276	2,276
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	2,276	2,276
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2024	50	(1,182)	(1,132)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	<b>Called up share capital £'000</b>	<b>Profit and loss account £'000</b>	<b>Total shareholder's deficit £'000</b>
Balance at 1 April 2022	50	(2,349)	(2,299)
<b>Total comprehensive expense for the year</b>			
Loss for the financial year	-	(1,109)	(1,109)
	<hr/>	<hr/>	<hr/>
Total comprehensive expense for the year	-	(1,109)	(1,109)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2023	50	(3,458)	(3,408)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

# Notes to the Financial Statements

## 1 Accounting policies

The company is a private company limited by shares, incorporated in the UK under the Companies Act 2006, registered in England and Wales, and resident for tax in the UK.

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 (IFRS) in line with UK adopted IFRS and are available to the public and may be obtained from Western House, Halifax Road, Bradford, BD6 2SZ.

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. The presentation currency of these Financial Statements is £ sterling.

In preparing these Financial Statements, the company applies the recognition, measurement, and disclosure requirements of UK adopted IFRS 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.

In these Financial Statements, the company, as a qualifying entity, 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;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- The effects of new but not yet effective IFRSs; and
- 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 2024, 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.

### **Prior year restatement**

In accordance with FRS 101 requirements, the non-current debtors have been reclassified to debtors within current assets and disclosed as amounts falling due after more than one year. The prior year balances have been restated on the balance sheet.

### **Measurement convention**

The Financial Statements are prepared on the historical cost basis of accounting.

## Notes to the Financial Statements *(continued)*

### 1 Accounting policies *(continued)*

#### **Going concern**

The company's business activities, together with the likely factors to affect its future development, performance and position are set out in the strategic report.

The directors believe that preparing the Financial Statements on the going concern basis is appropriate given the interdependencies between the company and its parent, Yorkshire Water. The company is a financing company with the principal activity of managing finance previously raised for use in the business of Yorkshire Water. Under the terms of the company's financing arrangement, Yorkshire Water guarantees all the company's borrowings and derivatives, therefore whilst Yorkshire Water continues in operation, this group company is able to ensure that all financing obligations are met. As part of determining if the going concern assumption is appropriate for this company, the directors have challenged and scrutinised the ability of Yorkshire Water to continue as a going concern including a review of severe but reasonably possible scenarios.

Yorkshire Water had available a combination of cash and committed undrawn facilities totalling £981.7m at 31 March 2024 (2023: £682.9m), comprising £932.0m (2023: £389.0m) undrawn committed facilities and £49.7m (2023: £293.9m) of cash and cash equivalents. The directors have considered the business plan and the cash position of Yorkshire Water, specifically the sufficiency of the funds available to fund the operating and capital investment activities of the company for the 12 months from the date of signing these Financial Statements. In addition, Yorkshire Water has an indefinite licence to operate as a water and sewerage operator terminable with a 25-year notice period.

The directors believe that there are no material uncertainties that could cast significant doubt over the ability of Yorkshire Water to continue as a going concern, and therefore in turn the ability of the company to continue as a going concern. The directors have adopted the going concern basis of accounting in preparing the Financial Statements.

#### **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.

## Notes to the Financial Statements *(continued)*

### 1 Accounting policies *(continued)*

#### **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*

Trade and 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.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances, call deposits, and other short-term highly liquid investments.

##### *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 interest receivable and similar income and interest payable and similar expenses.

Inflation linked borrowings are adjusted for movements in the Retail Prices Index (RPI) with reference to a base RPI established at trade date. The subsequent gain or loss on this adjustment is recognised in the profit and loss account.

#### **Impairment**

##### *Financial assets (including intercompany and 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. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model. The expected credit loss model requires the company 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. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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 the profit or loss account.

## Notes to the Financial Statements *(continued)*

### 1 Accounting policies *(continued)*

#### **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. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments through the expected life of the financial instrument to its net carrying amount.

#### **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 income or expense, in which case it is recognised directly in equity or other comprehensive income or expense.

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.

### 2 Critical accounting judgements and key sources of estimation uncertainty

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 estimation uncertainty deemed significant in these Financial Statements.

### 3 Expenses and auditor's remuneration

Auditor's remuneration of £18,000 (2023: £6,000) has been borne by Yorkshire Water in relation to the audit of these Financial Statements. Profit/(loss) before taxation includes a reversal of impairment of intercompany receivables of £2,276,000 (2023: impairment of £1,109,000).

### 4 Staff numbers and costs

The company did not have any employees during the year ended 31 March 2024 (2023: nil).

### 5 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 (2023: £nil).



## Notes to the Financial Statements *(continued)*

### 6 Interest receivable and similar income

	<b>2024</b>	2023
	<b>£'000</b>	£'000
Interest income on financial assets measured at amortised cost	<b>70,563</b>	131,173
Interest on bank deposits	<b>31</b>	15
	<hr/>	<hr/>
Total interest receivable and similar income	<b>70,594</b>	131,188
	<hr/> <hr/>	<hr/> <hr/>

Interest income on financial assets measured at amortised cost includes interest from group undertakings of £70,563,000 (2023: £131,173,000).

### 7 Interest payable and similar expenses

	<b>2024</b>	2023
	<b>£'000</b>	£'000
Interest expense on financial liabilities measured at amortised cost	<b>70,594</b>	131,188
	<hr/>	<hr/>
Total interest payable and similar expenses	<b>70,594</b>	131,188
	<hr/> <hr/>	<hr/> <hr/>

Interest payable and similar expenses includes interest payable and similar charges on loans of £70,222,000 (2023: £130,847,000). Of the above amount, £341,000 (2023: £327,000) relates to amortisation of issue costs and £31,000 (2023: £14,000) was payable to group undertakings.

### 8 Taxation

There is no tax for the year on profit or loss (2023: £nil). The tax for the year is lower than (2023: higher than) the standard rate of corporation tax in the UK of 25% (2023: 19%). The differences are explained below:

#### Reconciliation of effective tax rate

	<b>2024</b>	2023
	<b>£'000</b>	£'000
Profit/(loss) before taxation	<b>2,276</b>	(1,109)
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 25% (2023: 19%)	<b>569</b>	(211)
Effects of:		
Non-deductible expenses	-	211
Income not taxable	<b>(569)</b>	-
	<hr/>	<hr/>
Total tax included in the profit and loss account	<b>-</b>	-
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the Financial Statements *(continued)*

### 8 Taxation *(continued)*

The Provisional Collection of Taxes Act, enacted on 17 March 2020, set the corporation tax rate at 19% from 1 April 2020.

The Finance Bill 2021, enacted on 24 May 2021 introduced an increase to the main rate of corporation tax to 25% from 1 April 2023. This is the rate which has been used in preparing these Financial Statements.

The company has no unrecognised deferred tax assets in the current or prior year.

### 9 Debtors

	<b>2024</b>	2023
	<b>£'000</b>	£'000
Amounts owed by parent company	<b>1,143,635</b>	1,099,432
Expected credit loss provision	<b>(1,172)</b>	(3,449)
Accrued income	<b>2</b>	2
	<u><b>1,142,465</b></u>	<u>1,095,985</u>
Analysed as:		
Amounts falling due within one year	<b>6,667</b>	6,582
Amounts falling due after more than one year	<b>1,135,798</b>	1,089,403
	<u><b>1,142,465</b></u>	<u>1,095,985</u>

The amounts owed by parent company represent loans to Yorkshire Water which are unsecured, bear interest at varying nominal rates and have contractual repayment dates, together with accrued interest. The interest rates and repayment dates of these loans match the terms of the underlying debt disclosed in note 12.

### 10 Creditors: amounts falling due within one year

	<b>2024</b>	2023
	<b>£'000</b>	£'000
Amounts owed to parent company	<b>612</b>	612
Interest payable accruals	<b>6,673</b>	6,601
	<u><b>7,285</b></u>	<u>7,213</u>

Amounts owed to parent company are unsecured, interest free and are repayable on demand.

## Notes to the Financial Statements *(continued)*

### 11 Creditors: amounts falling due after more than one year

	<b>2024</b>	2023
	<b>£'000</b>	£'000
Guaranteed bonds (note 12)	<b>1,136,926</b>	1,092,794

### 12 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the company's interest-bearing loans and borrowings, which are measured at amortised cost.

	<b>2024</b>	2023
	<b>£'000</b>	£'000
<b>Creditors: amounts falling due after more than one year</b>		
Guaranteed bonds	<b>1,136,926</b>	1,092,794

#### *Terms and debt repayment schedule*

	<b>Currency</b>	<b>Nominal interest rate</b>	<b>Maturity date</b>	<b>Nominal value 2024</b>	<b>Carrying amount 2024</b>	Nominal value 2023	Carrying amount 2023
				<b>£'000</b>	<b>£'000</b>	£'000	£'000
Guaranteed bonds (stranded)	<b>GBP</b>	<b>5.500%</b>	<b>2027</b>	<b>150,000</b>	<b>7,069</b>	150,000	6,976
Guaranteed bonds	<b>GBP</b>	<b>5.500%</b>	<b>2037</b>	<b>200,000</b>	<b>196,358</b>	200,000	196,167
Inflation linked guaranteed bonds	<b>GBP</b>	<b>1.823%</b>	<b>2050</b>	<b>65,000</b>	<b>119,696</b>	65,000	114,064
Inflation linked guaranteed bonds	<b>GBP</b>	<b>1.462%</b>	<b>2051</b>	<b>125,000</b>	<b>236,499</b>	125,000	225,411
Inflation linked guaranteed bonds	<b>GBP</b>	<b>1.758%</b>	<b>2054</b>	<b>85,000</b>	<b>156,747</b>	85,000	149,372
Inflation linked guaranteed bonds	<b>GBP</b>	<b>1.460%</b>	<b>2056</b>	<b>125,000</b>	<b>236,449</b>	125,000	225,358
Inflation linked guaranteed bonds	<b>GBP</b>	<b>1.709%</b>	<b>2058</b>	<b>100,000</b>	<b>184,108</b>	100,000	175,446
				<b>850,000</b>	<b>1,136,926</b>	850,000	1,092,794

All bonds are quoted on the London Stock Exchange.

The company exchanged certain historical bonds for new bonds (exchange bonds) issued by Yorkshire Water Odsal Finance Limited during the year ending 31 March 2010. The exchange bonds have different nominal amounts and applicable interest rates to those of the original bonds (identified as "stranded" bonds in the above table). Yorkshire Water Finance Plc was substituted as the issuer of the exchange bonds in August 2018.

Included within guaranteed bonds are amounts repayable after five years by instalments and otherwise than by instalments of £nil (2023: £nil) and £1,129,857,000 (2023: £1,085,818,000) respectively. Borrowings are secured against the assets of the YWFG.

## Notes to the Financial Statements *(continued)*

### 13 Capital and reserves

<b>Called up share capital</b>	<b>2024</b>	2023
	<b>£'000</b>	£'000
<b><i>Allotted and called up</i></b>		
50,000 (2023: 50,000) ordinary shares at £1 each (2023: at £1 each)	<b>50</b>	50
	<u>50</u>	<u>50</u>

On 31 March 2024, £37,000 (2023: £37,000) remained unpaid in respect to ordinary shares and is included in debtors as amounts owed by parent company.

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

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.

### 14 Financial instruments

#### ***(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).

Financial instruments measured at amortised cost and whose carrying value are a reasonable approximation of fair value have not been disclosed in the fair value hierarchy below as there is no requirement to do so. The fair values of financial instruments by class together with their carrying amounts shown in the balance sheet are as follows:

## Notes to the Financial Statements *(continued)*

### 14 Financial instruments *(continued)*

#### *(a) Fair values of financial instruments (continued)*

	Carrying amount 2024 £'000	Fair value 2024 £'000	Level 1 2024 £'000	Level 2 2024 £'000	Carrying amount 2023 £'000	Fair value 2023 £'000	Level 1 2023 £'000	Level 2 2023 £'000
<b>Financial liabilities measured at amortised cost</b>								
5.500% £150m bonds 2027	7,069	7,517	-	7,517	6,976	7,652	-	7,652
5.500% £200m bonds 2037	196,358	204,204	204,204	-	196,167	207,942	207,942	-
1.823% £65m inflation linked bonds 2050	119,696	97,800	-	97,800	114,064	61,775	-	61,775
1.462% £125m inflation linked bonds 2051	236,499	176,757	-	176,757	225,411	118,379	-	118,379
1.758% £85m inflation linked bonds 2054	156,747	122,873	-	122,873	149,372	79,700	-	79,700
1.460% £125m inflation linked bonds 2056	236,449	169,240	-	169,240	225,358	108,133	-	108,133
1.709% £100m inflation linked bonds 2058	184,108	141,747	-	141,747	175,446	91,282	-	91,282
Total financial liabilities measured at amortised cost	<b>1,136,926</b>	<b>920,138</b>	<b>204,204</b>	<b>715,934</b>	1,092,794	674,863	207,942	466,921
Total financial instruments	<b>1,136,926</b>	<b>920,138</b>	<b>204,204</b>	<b>715,934</b>	1,092,794	674,863	207,942	466,921

## Notes to the Financial Statements *(continued)*

### 14 Financial instruments *(continued)*

#### **(a) Fair values of financial instruments *(continued)***

The following table shows the valuation techniques used for Level 2 fair values.

<b>Financial instruments measured at amortised cost</b>	<b>Valuation technique</b>
Bonds	The fair values of the bonds have been determined by reference to quoted prices for identical instruments that the company can access at the measurement date.

#### **(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 intragroup customers and investment securities.

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

#### **(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 group level by ensuring debt is held with a range of durations and obtained from a variety of sources. The maturity profile is actively managed by the group's treasury function. Existing bank covenants require the group to maintain a combination of available cash balances and banking facilities sufficient to cover certain requirements for the succeeding 12 months. This is a rolling requirement. Additional facilities are not expected to be required within the next year to comply with the covenants.

## Notes to the Financial Statements *(continued)*

### 14 Financial instruments *(continued)*

#### **(c) Liquidity risk** *(continued)*

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements. It is assumed that indexation remains constant at the year-end position:

	2024						2023					
	Carrying amount £'000	Contract- ual cash flows £'000	1 year or less £'000	1 to <2years £'000	2 to <5years £'000	5years and over £'000	Carrying amount £'000	Contract- ual cash flows £'000	1 year or less £'000	1 to <2years £'000	2 to <5years £'000	5years and over £'000
<b>Non-derivative financial liabilities</b>												
5.500% guaranteed bonds 2027 (stranded bonds)	7,069	8,824	407	407	8,010	-	6,976	9,232	407	407	8,418	-
5.500% guaranteed bonds 2037	196,358	348,500	11,000	11,000	33,000	293,500	196,167	359,500	11,000	11,000	33,000	304,500
1.823% inflation linked guaranteed bonds 2050	119,696	176,876	2,187	2,187	6,562	165,940	114,064	170,678	2,085	2,085	6,254	160,254
1.462% inflation linked guaranteed bonds 2051	236,499	331,815	3,460	3,460	10,380	314,515	225,411	319,576	3,298	3,298	9,894	303,086
1.758% inflation linked guaranteed bonds 2054	156,747	241,455	2,763	2,763	8,288	227,641	149,372	232,782	2,633	2,633	7,900	219,616
1.460% inflation linked guaranteed bonds 2056	236,449	347,286	3,456	3,456	10,367	330,007	225,358	334,318	3,294	3,294	9,882	317,848
1.709% inflation linked guaranteed bonds 2058	184,108	291,882	3,154	3,154	9,463	276,111	175,446	281,220	3,007	3,007	9,020	266,186
	<b>1,136,926</b>	<b>1,746,638</b>	<b>26,427</b>	<b>26,427</b>	<b>86,070</b>	<b>1,607,714</b>	1,092,794	1,707,306	25,724	25,724	84,368	1,571,490

## Notes to the Financial Statements *(continued)*

### 14 Financial instruments *(continued)*

#### **(d) Market risk**

##### *Financial risk management*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, retail price index and equity prices will affect the company's income or the value of its holdings of financial instruments.

#### **Market risk - Interest rate risk**

##### *Profile*

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

	<b>2024</b>	2023
	<b>£'000</b>	£'000
<b>Fixed rate instruments</b>		
Financial liabilities	<b>203,427</b>	203,143
	<u>          </u>	<u>          </u>
<b>Variable rate instruments</b>		
Financial liabilities	<b>933,499</b>	889,651
	<u>          </u>	<u>          </u>

Fixed rate instruments include borrowing which have a fixed interest rate through to maturity. Variable rate instruments include borrowings which are adjusted for movements in the RPI with reference to a base RPI established at trade date. The amounts disclosed are the carrying value of borrowings.

##### *Sensitivity analysis*

The proceeds of bonds issuances have been lent on to Yorkshire Water under the same terms. Any interest rate risk exposure is therefore eliminated against an equal and opposite exposure on debtors.

#### **(e) Capital management**

The objectives when managing capital are to safeguard the YWFG's ability to continue as a going concern in order to provide benefits to stakeholders and returns to investors, and to maintain an optimal capital structure. In order to do this, the company's debt and assets, and the liquidity of these, are assessed jointly with the other companies that form YWFG.

When monitoring capital risk, the YWFG considers interest cover measures and gearing, expressed as the ratio of net debt to RCV of Yorkshire Water.

Any surplus funds or amounts required to be held in reserve are entirely invested in liquid short-term instruments with long-term ratings of at least A-/A-/A3 and/or short-term ratings of at least A1/F1/P1 with Standard & Poor's, Fitch, and Moody's respectively.

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



## Notes to the Financial Statements *(continued)*

### 15 Contingent liabilities

Certain bank accounts of the company operate on a pooled basis with certain bank accounts of other members of the YWFG, whereby these bank account balances offset against each other. No losses are expected to arise as a result of this arrangement.

The company, as part of the YWFG, has guaranteed borrowings of Yorkshire Water and Yorkshire Water Finance Plc, which at 31 March 2024 amounted to £4,759.8m (2023: £4,967.0m).

### 16 Ultimate parent company and ultimate controlling party

The company's immediate parent undertaking is Yorkshire Water Services 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.