

Bakethin Finance Plc

Registered No: 05074769

Annual Report and Financial Statements

for the year ended 31 March 2017

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Annual Report and Financial Statements

for the for the year ended 31 March 2017

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Company information

Registered No: 05074769

Directors

Mr D Wynne
Wilmington Trust SP Services (London) Limited
Mrs M Clarke-Whelan
Mr C I Johns

Company Secretary

Wilmington Trust SP Services (London) Limited

Auditor

Deloitte LLP
Statutory Auditor
One Trinity Gardens
Broad Chare
Newcastle Upon Tyne
United Kingdom
NE1 2HF

Banker

Deutsche Bank
6 Bishopsgate
London
EC2P 2AT

Registered Office

c/o Wilmington Trust SP Services (London) Limited
Third Floor
1 King's Arms Yard
London
United Kingdom
EC2R 7AF

Strategic report

The Directors of Bakethin Finance Plc (the Company) are pleased to present their Strategic Report for the year ended 31 March 2017.

Principal activity and review of the business

Bakethin Finance Plc is incorporated and domiciled in the UK. The Company's principal activity continued to be that of a special purpose vehicle established for the purpose of issuing guaranteed secured bonds. On 12 May 2004, the Company issued £248m of guaranteed secured bonds. The bonds are due to mature in January 2034.

The Company used the proceeds of the bond issue to make a loan to Reiver Finance Limited (RFL) to fund the consideration given by that company to Northumbrian Water Limited (NWL) for the assignment of the right to receive annual sums due from the Environment Agency (EA) under the Water Resources Operating Agreement (WROA) relating to Kielder Reservoir. The assignment is for a period of 29 years and 8 months.

Fluctuations in the profit on ordinary activities before taxation are due to the variable interest received on the cash deposits. The interest receivable on the loan to RFL and the interest payable on the guaranteed secured bonds are fixed at 5.88526% and 5.87526% respectively, a fixed margin of 1 basis point.

The risks arising from Company's financial instruments are detailed below.

Results and dividends

The profit for the year, after taxation, amounted to £25,000 (year ended 31 March 2016: £26,000). The movement in net assets during the year from £2,161,000 to £2,186,000 is in line with Directors' expectations. The Directors do not recommend the payment of a final dividend (year ended 31 March 2016: £nil).

Risks arising from the Company's financial instruments

The main risk arising from the Company's financial instruments is liquidity risk. The Company's external debt and RPI swaps are mirrored by a swap and loan to RFL and as such the Directors do not consider the setting of KPIs to be appropriate.

The Company's financing strategy is developed in accordance with the treasury policies of Northumbrian Water Group Limited (NWGL), whose board reviews and agrees policies for managing each of these risks. These are summarised below and the treasury activities of the Company are conducted in accordance with these policies.

Strategic report (continued)

Liquidity risk

The Company utilises investment revenue received from RFL to fund interest payments arising on guaranteed secured bonds. The revenue from RFL is funded by payments from the EA under the WROA. Both RFL and the Company have the same ultimate controlling party.

Interest rate risk

The investment revenue receivable on the loan to RFL and the interest payable on the guaranteed secured bonds are at fixed rates for the full duration of the instruments. Only interest receivable on cash balances is at variable rate.

Foreign currency risk

NWGL's policy is that any foreign currency exposure in excess of £100,000 sterling equivalent of a transactional nature, or £3m sterling equivalent of a translation nature, should be covered immediately on recognition. At 31 March 2017, the Company had no currency exposures (31 March 2016: nil) and does not anticipate any foreign currency exposure in the future.

Market price risk

The Company's exposure to market price risk principally comprises interest rate exposure. The Company's policy is to accept a degree of interest rate risk. On the basis of the Company's analysis, it is estimated that a 1% rise in interest rates would not have a material effect.

Approved by the Board and signed



M Clarke-Whelan
for and on behalf of Wilmington Trust SP (Services) London Limited
28 September 2017

Directors' report

The Directors are pleased to present their Annual Report and the audited Financial Statements for the year ended 31 March 2017.

Directors and their interests

The Directors who served during the year and up to the date of signing were:

- Mr M Filer (resigned on 20 April 2017)
- Mr D Wynne (appointed on 20 April 2017)
- Wilmington Trust SP Services (London) Limited
- Mrs M Clarke-Whelan
- Mr C I Johns

None of the Directors received any remuneration for their services to the Company apart from Wilmington Trust SP Services (London) Limited as disclosed in note 5. At the balance sheet date Mr M Filer and Mr D Wynne were Directors of Wilmington Trust SP Services (London) Limited. Mr M Filer resigned from Wilmington Trust SP Services (London) Limited on 28 April 2017.

The Directors who held office as at the end of the year had the following interests in the shares of the Company:

<i>Name of Director</i>	<i>Class of shares</i>	<i>No. of shares</i>	<i>No. of shares</i>
		<i>at 31 March 2017</i>	<i>at 31 March 2016</i>
Wilmington Trust SP Services (London) Limited	£1 Ordinary	1	1

This share is nominally held by Miss A Icolaro for Wilmington Trust SP Services (London) Limited, as nominee for Bakethin Holdings Limited.

As at 31 March 2017, no Directors held any other interests required to be disclosed (31 March 2016: nil), in accordance with Listing Rule LR 9.8.6R.

Results and dividends

Information on results and dividends is contained in the Strategic Report.

Going concern

The Directors confirm that in their opinion, the Company has sufficient resources to continue in operational existence for the foreseeable future. In arriving at their decision the Directors have taken account of the certainty of cash flows receivable from RFL, supported by the WROA with the EA and the support provided to RFL by NWGL, an intermediate parent company of RFL.

Accordingly the Directors continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Future developments

The Directors have no plans to expand the existing operations of the Company.

Directors' report (continued)

Treasury operations

The Company's Board is responsible for the financing strategy of the Company, which is determined within treasury policies set by NWGL, the immediate parent company of NWL. The aim of this strategy is to assess the ongoing capital requirement of the Company and to raise funding on a timely basis, taking advantage of any favourable market opportunities.

The Treasury department of NWGL carries out treasury operations on behalf of the Company. Surplus funds are invested based upon forecast requirements, in accordance with the treasury policy. Derivatives may be used as part of this process, but the treasury policies prohibit their use for speculation.

Financial instruments

The Company's policy in relation to the use of financial instruments is set out in the Strategic report.

Political donations

There have been no political donations during the current or prior years.

Directors' declaration

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Company's auditor, each Director has taken all the steps that he/she is obliged to take as a Director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Indemnification of Directors

The Company has granted an indemnity to its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Annual Report.

Auditor

Deloitte LLP has expressed its willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed



M Clarke-Whelan
for and on behalf of Wilmington Trust SP (Services) London Limited
28 September 2017

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable United Kingdom law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; 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 proper accounting records which 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 to 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 Director are responsible for the maintenance and integrity of the corporate and financial information on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Independent auditor's report

to the members of Bakethin Finance Plc

We have audited the Financial Statements of Bakethin Finance Plc for the year ended 31 March 2017 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 101 Reduced Disclosure Framework.

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.

Respective responsibilities of Directors and auditor

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. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report (continued)

to the members of Bakethin Finance Plc

Opinion on other matter 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 and Directors' reports for the financial period for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic and Directors' reports have been prepared in accordance with applicable legal requirements.

In 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Anthony Matthews (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Newcastle Upon Tyne, United Kingdom
28 September 2017

Income Statement

for the year ended 31 March 2017

		<u>2017</u>	<u>2016</u>
	<i>Notes</i>	<u>£000</u>	<u>£000</u>
Continuing operations			
Investment revenue	2	29,275	21,594
Finance costs	3	(29,250)	(21,568)
<i>Profit before taxation</i>		<u>25</u>	<u>26</u>
Taxation	6	-	-
<i>Profit attributable to the shareholder of the Company</i>		<u>25</u>	<u>26</u>

Statement of comprehensive income

for the year ended 31 March 2017

There was no other comprehensive income attributable to the shareholder of the Company other than the profit of £25,000 for the year ended 31 March 2017 and the profit of £26,000 for the year ended 31 March 2016.

Balance Sheet

as at 31 March 2017

(Registered number 05074769)

	Notes	March 2017 £000	March 2016 £000
Non-current assets			
Investments	7	241,723	242,322
Derivative financial instruments	8	36,064	21,593
		277,787	263,915
Current assets			
Trade and other receivables	9	2,691	2,710
Cash at bank and in hand		2,180	2,213
		4,871	4,923
Total assets		282,658	268,838
Current liabilities			
Borrowings	12	(1,074)	(613)
Trade and other payables	10	(2,685)	(2,761)
		(3,759)	(3,374)
Non current liabilities			
Borrowings	12	(240,649)	(241,710)
Derivative financial instruments	8	(36,064)	(21,593)
		(276,713)	(263,303)
Total liabilities		(280,472)	(266,677)
Net assets		2,186	2,161
Capital and reserves			
Share capital	13	1,500	1,500
Profit and loss account		686	661
Equity attributable to the shareholder of the Company		2,186	2,161

Approved by the Board of Directors on 28 September 2017 and signed on their behalf by:



M Clarke-Whelan

Director

for and on behalf of Wilmington Trust SP Services (London) Limited

Statement of changes in equity

for the year ended 31 March 2017

	<i>Share capital</i>	<i>Retained earnings</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 April 2015	1,500	635	2,135
Profit for the year and total comprehensive income	-	26	26
At 1 April 2016	1,500	661	2,161
Profit for the year and total comprehensive income	-	25	25
At 31 March 2017	1,500	686	2,186

Notes to the financial statements

for the year ended 31 March 2017

1. Accounting policies

General information

Bakethin Finance Plc is a company incorporated in the United Kingdom under the Companies Act. The Company is a public company limited by shares registered in England and Wales. The address of the Company's registered office is shown on page 3. The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 4.

These Financial Statements are presented in sterling and all values are rounded to the nearest one thousand pounds (£000) except where otherwise indicated.

Basis of accounting

These Financial Statements have been prepared in accordance with FRS 101, incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and the amendments to company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015.

The Financial Statements have been prepared under the historical cost convention, with the exception of financial instruments held at fair value through profit and loss.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a cash flow statement, standards not yet effective, financial instruments, related party transactions and capital management.

No new International Financial Reporting Standards (IFRSs) came into effect in the year which had a material impact on the Company.

Going concern

The Directors continue to adopt the going concern basis in preparing the Financial Statements. Further information is included in the Directors' report.

Format of Financial Statements

Turnover and cost of sales, as prescribed by the Companies Act 2006, do not have meaningful equivalents for the Company, since its principal activity is the issuing of guaranteed secured bonds and provision of loan finance from which interest is earned and, accordingly, are not defined in these Financial Statements. The headings within the income statement have therefore been adapted from that prescribed by Schedule 1 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 in view of the nature of the business.

Notes to the financial statements

for the year ended 31 March 2017

Investment revenue

Investment revenue relates to interest receivable on a loan due from RFL. Finance income is taken to the income statement over the term of the loan at a constant rate on the balance sheet carrying amount of the investment.

Taxation

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in the income statement, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Notes to the financial statements

for the year ended 31 March 2017

Fixed asset investments

Fixed asset investments are shown at amortised cost less provision for any impairment in value.

Interest bearing loans and borrowings

All interest-bearing loans and borrowings are initially recognised at net proceeds. After initial recognition, debt is increased by the finance cost in respect of the reporting period and reduced by payments made in respect of the debts of the period.

Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Derivative financial instruments

The Company utilises inflation rate swaps as derivative financial instruments. A derivative instrument is considered to be used for hedging purposes when it alters the risk profile of an underlying exposure of the Company in line with the Group's risk management policies.

Under IFRS 13, derivative financial instruments are measured at fair value, which is considered to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction reflecting the credit risk of the counterparties in the principal (or most advantageous) market under market conditions as at the balance sheet date.

Any gains or losses arising from changes in fair value of inflation rate swaps are taken directly to the income statement.

Critical accounting judgements and key sources of estimation uncertainty.

In the process of applying the accounting policies, the Company is required to make certain judgements, estimates and assumptions that it believes are reasonable based on the information available. The Directors consider that there are no significant judgements or estimates applied at the balance sheet date, other than derivative financial instruments which are measured at fair value as described above, which may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Notes to the financial statements

for the year ended 31 March 2017

2. Investment revenue

	<u>2017</u>	<u>2016</u>
	<u>£000</u>	<u>£000</u>
Interest receivable from loan to RFL	14,804	14,909
Fair value gains on derivative financial instruments	14,471	6,684
Interest receivable on bank deposits	-	1
	<u>29,275</u>	<u>21,594</u>

The Company operates in one continuing area of activity, being a special purpose vehicle used to issue guaranteed secured bonds in the UK. All profits or losses before tax and net assets are attributable to this business segment.

3. Finance costs

	<u>2017</u>	<u>2016</u>
	<u>£000</u>	<u>£000</u>
Interest on guaranteed secured bonds	14,779	14,884
Fair value losses on derivative financial instruments	14,471	6,684
Net finance costs payable	<u>29,250</u>	<u>21,568</u>

4. Auditor's remuneration

Auditor's remuneration in respect of the financial statements for the year ended 31 March 2017 was £6,000 (year ended 31 March 2016: £3,209), which has been borne by RFL.

5. Staff costs

Excluding the Directors, there were no employees during the year (year ended 31 March 2016: nil). The Directors did not receive any remuneration in respect of their services to the Company apart from Wilmington Trust SP Services (London) Limited which earned £20,100 (year ended 31 March 2016: £19,800) for providing corporate services to the Company. This cost was borne by RFL.

Notes to the financial statements

for the year ended 31 March 2017

6. Taxation

(a) Tax in the income statement	<u>2017</u> £000	<u>2016</u> £000
<i>Current tax</i>		
UK corporation tax on profit for the year at 20% (2016 : 20%)	5	5
Tax funding receivable from RFL	<u>(5)</u>	<u>(5)</u>
Total current tax	<u>-</u>	<u>-</u>
 (b) Reconciliation of the tax charge	 <u>2017</u> £000	 <u>2016</u> £000
 Profit before tax	 25	 26
 Profit before tax multiplied by the rate of UK corporation tax of 20% (2016 : 20%)	 5	 5
 <i>Effects at 20% (2016 : 20%) of:</i>		
Tax funding receivable for current period	<u>(5)</u>	<u>(5)</u>
Total tax	<u>-</u>	<u>-</u>

The Company claims tax losses from its parent company, Bakethin Holdings Limited, for no consideration and under arrangements with Reiver Finance Limited, the Company receives a contribution to fund its external tax liabilities.

(c) Factors that may affect future tax charges

The rate of UK corporation tax for the year has remained at 20%. Finance (No. 2) Act 2015 reduced the rate from 20% to 19% (with effect from 1 April 2017) and to 18% (with effect from 1 April 2020). The 2020 rate was further reduced to 17% by Finance Act 2016. Accordingly, deferred tax has been provided in line with the rates at which temporary differences are expected to reverse.

Notes to the financial statements

for the year ended 31 March 2017

7. Investments

	<u>2017</u>	<u>2016</u>
	<u>£000</u>	<u>£000</u>
At start of year	242,322	242,522
Cash received from RFL	(933)	(508)
Amortisation of recharged fees	334	308
At end of year	<u>241,723</u>	<u>242,322</u>

The loan was granted to RFL to fund the consideration given by that Company to NWL for the assignment of the right to receive annual sums due from the EA under the WROA relating to Kielder Reservoir. This loan bears interest at a fixed rate of 5.88526% and is repayable by increasing instalments which commenced in July 2014 and end in January 2034.

8. Financial instruments

	<u>2017</u>	<u>2016</u>
	<u>£000</u>	<u>£000</u>
Financial assets carried at fair value through profit and loss:		
Inflation swap	<u>36,064</u>	<u>21,593</u>
Financial liabilities carried at fair value through profit and loss:		
Inflation swap	<u>(36,064)</u>	<u>(21,593)</u>

As at 31 March 2017 and 31 March 2016, the Company held two long term Retail Price Inflation (RPI) inflation swaps, designated as hedges of future variable inflation-linked cash flows which are disclosed as both a financial asset and liability. These RPI swaps comprise an external swap with a bank counterparty mirrored by a swap with RFL in the same way that the Company's external debt is mirrored by a loan to RFL.

The RPI swaps fix these variable cash flows and are measured at fair value with changes in fair value recognised in the income statement. The changes in fair value reflect the change in the present value of the future cash flows which incorporates future expectations of inflation over the full term of the swaps.

<u>Notional amount</u>	<u>Annual swap cash flow paid</u>	<u>Start date</u>	<u>Termination date</u>	<u>Fixed rate</u>
£000	£000			%
2,900	700	12 May 2004	9 January 2034	2.56

Notes to the financial statements

for the year ended 31 March 2017

9. Trade and other receivables

	2017	2016
	£000	£000
Other debtors	5	6
Accrued interest receivable	2,686	2,704
	<u>2,691</u>	<u>2,710</u>

The Company has one main debtor, RFL, a subsidiary of NWGL. At 31 March 2017, an amount of £2,686,000 (31 March 2016: £2,704,000) due from RFL is included within accrued interest receivable. Other debtors includes £4,600 (31 March 2016: £5,961) in respect of payments due from RFL under arrangements to fund corporation tax liabilities.

10. Trade and other payables

	2017	2016
	£000	£000
Accrued interest payable	2,680	2,755
Corporation tax	5	6
	<u>2,685</u>	<u>2,761</u>

11. Deferred tax

The Company has the following deferred tax assets / (liabilities) in respect of derivative financial instruments:

	Third party bank	Group undertaking	Total
	£000	£000	£000
At 1 April 2015	5,655	(5,655)	-
Charge/(credit) in the income statement	(1,768)	1,768	-
Charge/(credit) in other comprehensive	-	-	-
At 31 March 2016	3,887	(3,887)	-
Charge/(credit) in the income statement	2,244	(2,244)	-
Charge/(credit) in other comprehensive	-	-	-
At 31 March 2017	<u>6,131</u>	<u>(6,131)</u>	<u>-</u>

Notes to the financial statements

for the year ended 31 March 2017

12. Borrowings

	<u>2017</u>	<u>2016</u>
	<u>£000</u>	<u>£000</u>
<i>Guaranteed secured bonds:</i>		
Current instalments due on external borrowings	1,074	613
Non current instalments due on external borrowings	<u>240,649</u>	<u>241,710</u>
	<u>241,723</u>	<u>242,323</u>

The difference between the principal value of £246,439,000 (31 March 2016: £247,373,000) and the carrying value of £241,723,000 (31 March 2016: £242,323,000) relates to unamortised issue costs of £4,716,000 (31 March 2016: £5,050,000).

The repayment of the guaranteed secured bonds is dependent on the receipt in full of the payments from the loan made to RFL. The bonds are secured by means of a fixed and floating rate charge over the Company's assets.

The guaranteed secured bonds are repayable by increasing instalments, which commenced in July 2014 and end in January 2034. The guaranteed secured bonds bear interest at 5.87526%.

13. Share capital

	<u>2017</u>	<u>2016</u>
	<u>£000</u>	<u>£000</u>
<i>Authorised</i>		
1,500,000 Ordinary shares of £1 each	<u>1,500</u>	<u>1,500</u>
<i>Allotted, called up and fully paid</i>		
1,500,000 Ordinary shares of £1 each	<u>1,500</u>	<u>1,500</u>

Notes to the financial statements

for the year ended 31 March 2017

14. Related parties

In accordance with IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities, the Financial Statements of the Company and Bakethin Holdings Limited are consolidated in the Financial Statements of NWGL as special purpose entities.

Accordingly, the Company is exempt under the terms of FRS 101 from disclosing transactions with other members of the Group headed by NWGL.

Transactions with the Company's director Wilmington Trust SP Services (London) Limited are disclosed in note 5. At 31 March 2017 there is no balance with Wilmington Trust SP Services (London) Limited (31 March 2016: £nil).

15. Ultimate parent undertaking and controlling party

The Company's immediate and ultimate parent undertaking is Bakethin Holdings Limited.

In the Directors' opinion, the Company's ultimate controlling party is CK Hutchison Holdings Limited (CKHH), a company listed on the Hong Kong Stock Exchange. Copies of CKHH's group Financial Statements, the largest group which includes the Company, are available from <http://www.ckh.com.hk/en/ir/annual.php>.

Copies of NWGL's group Financial Statements, the smallest group which includes the Company, are available from Northumbria House, Abbey Road, Pity Me, Durham DH1 5FJ.