

Registered no: SC190621

Stirling Water Seafield Finance Plc  
Annual report  
for the year ended 31 March 2001

5



# **Stirling Water Seafield Finance Plc**

## **Annual report for the year ended 31 March 2001**

|                                          | <b>Pages</b> |
|------------------------------------------|--------------|
| <b>Directors and advisers</b>            | <b>1</b>     |
| <b>Directors' report</b>                 | <b>2 - 3</b> |
| <b>Report of the auditors</b>            | <b>4</b>     |
| <b>Profit and loss account</b>           | <b>5</b>     |
| <b>Balance sheet</b>                     | <b>6</b>     |
| <b>Notes to the financial statements</b> | <b>7- 10</b> |

## **Directors and advisers**

### **Directors**

J M Ravenscroft  
C A Boyle  
D A Eyre  
H Been  
J Mitchell  
M J S Ramsay  
D Bonnar  
K A Farrer  
D Glendinning

### **Alternates to D A Eyre**

M J S Ramsay  
P M Bloomfield

### **Alternates to H Been**

K A Farrer

### **Alternates to J Mitchell**

J M Ravenscroft  
D Bonnar

### **Alternates to M J S Ramsay**

P M Bloomfield  
D A Eyre

### **Alternates to D Bonnar**

J Mitchell  
J M Ravenscroft

### **Registered Auditors**

**PricewaterhouseCoopers**  
9 Greyfriars Road  
Reading  
RG1 1JG

### **Secretary and registered office**

**J M Ravenscroft**  
Princes Exchange  
1 Earl Grey Street  
Edinburgh  
EH3 9AQ

## Directors' report for the year ended 31 March 2001

The directors present their report and the audited financial statements for the year ended 31 March 2001.

### Principal activities

The company is part of a joint venture between the Thames Water, M J Gleeson and Montgomery Watson groups of companies. It raises funds to enable the group to upgrade and operate waste water treatment services and provide services relating to the treatment and disposal of sewage sludge in relation to Almond Valley and Seafield.

### Review of business and future developments

During the year, the company received £3,000,000 (2000: £99,900,000) in respect of a Variation bond (2000: two bonds) put to the market. An amount of £6,000,000 (2000: £9,000,000), relating to a Variation bond issued in the previous period, has not been put to the market.

The profit and loss account is set out on page 5.

Both the level of business and the period end financial position were satisfactory.

### Dividends

The directors do not recommend the payment of a dividend.

### Directors

The directors of the company who served throughout the period, unless otherwise stated, were as follows:

|                     |                          |
|---------------------|--------------------------|
| Hans Been           |                          |
| Desmond Bonnar      |                          |
| Michael JS Ramsay   |                          |
| David A Eyre        |                          |
| Charles A Boyle     |                          |
| John Mitchell       |                          |
| Kenneth A Farrer    |                          |
| Janet M Ravenscroft |                          |
| Opuiyo Oforiokuma   | (Resigned 12 July 2001)  |
| David Glendinning   | (Appointed 12 July 2001) |

### Directors' interests in shares of the company

No directors at 31 March 2001 had any interests in the share capital of the company or any group company during the year.

## Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

< The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2001 and the applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 1985. 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.

## Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

## On behalf of the board



J Mitchell  
Director

## **Report of the auditors to the members of Stirling Water Seafield Finance Plc**

We have audited the financial statements on pages 5 to 10.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 March 2001 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers**

Chartered Accountants and Registered Auditors

Reading

12 October 2001

**Profit and loss account for the year ended 31 March 2001**

|                                                      | Notes | Year ended<br>31 March 2001<br>£'000 | 28 October 1998 to<br>31 March 2000<br>£'000 |
|------------------------------------------------------|-------|--------------------------------------|----------------------------------------------|
| Interest receivable                                  | 2     | 6,526                                | 5,580                                        |
| Interest payable                                     | 3     | (6,526)                              | (5,580)                                      |
| <b>Profit on ordinary activities before taxation</b> | 4     | -                                    | -                                            |
| Taxation                                             | 5     | -                                    | -                                            |
| <b>Retained profit for the year</b>                  | 11    | -                                    | -                                            |

The results for the year derive wholly from continuing activities.

There are no recognised gains and losses other than the profits above and therefore no separate statement of recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

**Balance sheet at 31 March 2001**

|                                                                | Notes | 2001<br>£'000 | 2000<br>£'000 |
|----------------------------------------------------------------|-------|---------------|---------------|
| <b>Current assets</b>                                          |       |               |               |
| <b>Debtors:</b> amounts falling due within one year            | 6     | 50            | 50            |
| <b>Debtors:</b> amounts falling due after more than one year   | 7     | 93,861        | 91,238        |
| <b>Net current assets</b>                                      |       | <b>93,911</b> | <b>91,288</b> |
| <b>Creditors:</b> amounts falling due after more than one year | 8     | (93,861)      | (91,238)      |
| <b>Net assets</b>                                              |       | <b>50</b>     | <b>50</b>     |
| <b>Capital and reserves</b>                                    |       |               |               |
| Called up share capital                                        | 10    | 50            | 50            |
| Profit and loss account                                        | 11    | -             | -             |
| <b>Equity shareholders' funds</b>                              | 12    | <b>50</b>     | <b>50</b>     |

The financial statements on pages 5 to 10 were approved by the board of directors on 01 October 2001 and were signed on its behalf by:



J Mitchell  
Director

# Notes to the financial statements for the year ended 31 March 2001

## 1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

### Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

### Taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

### Cash flow statement

The company is a wholly owned subsidiary of Stirling Water Seafield Holdings Limited and its results are included in that company's consolidated accounts. The company has therefore taken advantage of the exemption from presenting a cash flow statement provided by Financial Reporting Standard 1.

## 2 Interest receivable

|                      | Year ended<br>31 March 2001 | 28 October 1998<br>to 31 March 2000 |
|----------------------|-----------------------------|-------------------------------------|
|                      | £'000                       | £'000                               |
| From group companies | 6,526                       | 5,580                               |

## 3 Interest payable

|                                  | Year ended<br>31 March 2001 | 28 October 1998<br>to 31 March 2000 |
|----------------------------------|-----------------------------|-------------------------------------|
|                                  | £'000                       | £'000                               |
| Interest payable on other loans  | 5,990                       | 5,066                               |
| Amortisation of bond issue costs | 536                         | 514                                 |
|                                  | 6,526                       | 5,580                               |

## 4 Profit on ordinary activities before taxation

The directors received no emoluments in respect of their services to the company.

The company has no employees.

The auditors' remuneration has been borne by the company's parent.

## **5 Taxation**

No charge to taxation arises on the result for the period.

There is no actual or potential liability to deferred taxation.

## **6 Debtors**

|                                            | <b>2001</b>  | <b>2000</b>  |
|--------------------------------------------|--------------|--------------|
|                                            | <b>£'000</b> | <b>£'000</b> |
| <b>Amounts falling due within one year</b> |              |              |
| Amounts owed by group undertakings         | <b>50</b>    | <b>50</b>    |

## **7 Debtors: amount falling due after more than one year**

|                                                     | <b>2001</b>   | <b>2000</b>   |
|-----------------------------------------------------|---------------|---------------|
|                                                     | <b>£'000</b>  | <b>£'000</b>  |
| <b>Amounts falling due after more than one year</b> |               |               |
| Amounts owed by parent undertakings                 | <b>93,861</b> | <b>91,238</b> |

The net proceeds of the bond issues have been lent to another company within the Stirling Water group at an interest rate of 5.822% plus an agreed arrangement fee to cover the amortisation of bond issue costs and interest thereon. The loan is repayable on the same terms as the bonds, which, from September 2004, are to be repaid in bi-annual instalments and will be repaid in full by September 2026.

## **8 Creditors: amounts falling due after more than one year**

|                         | <b>2001</b>   | <b>2000</b>   |
|-------------------------|---------------|---------------|
|                         | <b>£'000</b>  | <b>£'000</b>  |
| Guaranteed secured bond | <b>93,861</b> | <b>91,238</b> |

Guaranteed secured bonds with a total value of £102,900,000 (2000: £99,900,000) have been issued by the company at an interest rate of 5.822%. From September 2004 these are to be repaid in bi-annual instalments, and the bonds will be repaid in full by September 2026.

The bonds have been stated in the balance sheet net of the bond issue costs that are being amortised over the life of the bonds.

## **9 Financial instruments**

The funding policy of the Stirling Water Seafield Holdings Limited group is to fund capital expenditure using fixed rate sterling denominated bonds to protect profits against risks arising from adverse movement in interest rates and currency exposures. These bonds have been issued by the Company. The net proceeds of the bonds have been lent to Stirling Water Seafield Limited, to fund the Group's capital expenditure. The Group does not make use of derivative financial instruments.

The objective of Group treasury operations is to ensure the availability of a timely flow of funds at a cost which reflects the creditworthiness of the Group. They are managed as a cost, not a profit, centre; no material open or speculative positions are taken.

## Financial assets and liabilities

|                                           | 2001                            |                               |                           | 2000                             |                               |                           |
|-------------------------------------------|---------------------------------|-------------------------------|---------------------------|----------------------------------|-------------------------------|---------------------------|
|                                           | Total at floating rate<br>£'000 | Total at fixed rates<br>£'000 | Total book value<br>£'000 | Total at floating rates<br>£'000 | Total at fixed rates<br>£'000 | Total book value<br>£'000 |
| Current asset investments -<br>£ sterling | -                               | 93,861                        | 93,861                    | -                                | 91,238                        | 91,238                    |
| Guaranteed secured bonds -<br>£ sterling  | -                               | (102,900)                     | (102,900)                 | -                                | (99,900)                      | (99,900)                  |

Guaranteed secured bonds have been shown gross of issue costs that have been offset against the amount included in the balance sheet in accordance with FRS4.

## Fixed rate assets and liabilities

|                                           | 2001                                |                                              | 2000                                |                                              |
|-------------------------------------------|-------------------------------------|----------------------------------------------|-------------------------------------|----------------------------------------------|
|                                           | Weighted average interest rate<br>% | Weighted average period to maturity<br>Years | Weighted Average interest rate<br>% | Weighted average period to maturity<br>Years |
| Current asset investments -<br>£ sterling | 6.4                                 | 17                                           | 6.4                                 | 17.5                                         |
| Guaranteed secured bonds -<br>£ sterling  | 5.822                               | 17                                           | 5.822                               | 17.5                                         |

## Currency risk

The company has no exposure to currency risks as all of its assets and liabilities are in sterling.

## Fair values

Fair value is the amount at which a financial instrument could be exchanged in an arms length transaction between informed and willing parties, other than a forced or liquidation sale. The table sets out a comparison of the book and fair values of the company's financial instruments.

|                               | 2001                      |                           | 2000                      |                           |
|-------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Primary Financial Instruments | Total book value<br>£'000 | Total fair value<br>£'000 | Total book value<br>£'000 | Total fair value<br>£'000 |
| Financial assets              | 93,861                    | 100,064                   | 91,238                    | 93,106                    |
| Financial liabilities         | (102,900)                 | (100,064)                 | (99,900)                  | (93,106)                  |

Primary financial liabilities are bonds that are not actively traded on a public market.

The maturity of the company's Group borrowings is disclosed in note 8.

## 10 Called up share capital

|                                           | 2001  | 2000  |
|-------------------------------------------|-------|-------|
|                                           | £'000 | £'000 |
| <b>Authorised</b>                         |       |       |
| 100,000 ordinary shares of £1 each        | 100   | 100   |
| <b>Allotted, called up and fully paid</b> |       |       |
| 50,000 ordinary shares of £1 each         | 50    | 50    |

## 11 Profit and loss account

|                              | £'000 |
|------------------------------|-------|
| At 1 April 2000              | -     |
| Retained profit for the year | -     |
| <b>At 31 March 2001</b>      | -     |

## 12 Reconciliation of movements in shareholders' funds

|                                             | 2001      | 2000      |
|---------------------------------------------|-----------|-----------|
|                                             | £'000     | £'000     |
| Proceeds of ordinary shares issued for cash | -         | 50        |
| Profit attributable to shareholders         | -         | -         |
| Opening shareholders' funds                 | 50        | -         |
| <b>Closing shareholders' funds</b>          | <b>50</b> | <b>50</b> |

## 13 Related party transactions

The company is a wholly owned subsidiary of Stirling Water Seafeld Holdings Limited, a company registered in Scotland. As the company's results are included in the consolidated financial statements of its parent, the company has taken advantage of the exemption provided by Financial Reporting Standard 8 from disclosing details of transactions with other Stirling Water Seafeld Group companies.

## 14 Ultimate parent company and controlling party

The directors regard Stirling Water Seafeld Holdings Limited, a company registered in Scotland, as the ultimate parent company and the ultimate controlling party. Stirling Water Seafeld Holdings Limited prepares consolidated financial statements and copies of these may be obtained from the Company Secretary, Stirling Water Seafeld Holding Limited, Princes Exchange, 1 Earl Grey Street, Edinburgh, EH3 9AQ.