

## **Stirling Water Seafeld Finance Plc**

Report and financial statements  
for the period ended 31 December 2012

Registered number: **SC190621**

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# Stirling Water Seafield Finance Plc

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# **Stirling Water Seafield Finance Plc**

## **Directors and officers**

### **Directors**

DJ Bates (resigned 24 May 2012)  
AJ Dench (appointed 24 May 2012)  
N Paterson  
MR Saunders

### **Secretary**

NC Craig

### **Registered office**

Princes Exchange  
1 Earl Grey Street  
Edinburgh  
EH3 9AQ

### **Auditor**

Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

## **Stirling Water Seafeld Finance Plc**

### **Directors' Report**

The directors present their report and the audited statutory financial statements for the period ended 31 December 2012.

The Company has changed its accounting year end to match that of its parent company. These financial statements present financial information for the nine month period ended 31 December 2012, these are also the first set of IFRS financial statements and are accompanied as required, by the restated IFRS comparative financial statements for years ended 31 March 2012 and 31 March 2011.

#### **Principal activity**

The Company is a wholly owned subsidiary of Stirling Water Seafeld Limited. The Company raises funds to enable other group companies to upgrade and operate wastewater treatment services and provide services relating to the treatment and disposal of sewage sludge in relation to Almond Valley and Seafeld.

#### **Review of the business, financial performance and future developments**

The Company continued its core business activity of raising finance to support the activities of group companies.

Profit on ordinary activities after taxation for the period ended 31 December 2012 was £nil (year ended 31 March 2012: £nil).

The statement of financial position as detailed on page 6 shows equity shareholder's funds amounting to £50k (31 March 2012: £50k).

Financial and non financial key performance indicators ("KPIs") for the UK group are identified and measured by the parent, Veolia Water UK Limited. The directors have therefore taken the decision not to disclose KPI's in individual subsidiary financial statements of Stirling Water Seafeld Finance Plc.

#### **Dividends**

The dividend policy of the Company is to allow for the directors in carrying out their fiduciary duties to distribute dividends as they deem appropriate within the general legal and financial governance frameworks.

The directors do not recommend payment of a final dividend. (31 March 2012: £nil)

#### **Directors**

The directors holding office during the period are disclosed on page 1.

#### **Going concern**

The Company has adequate resources to meet its current operational and financial obligations, and the directors have a reasonable expectation that this will continue for the foreseeable future. This assessment is based on the consideration of the Company's budgeted cash flows and long term forecasts, and related assumptions, available debt facilities, and support of the wider Veolia group. For this reason, the directors continue to adopt the going concern basis in the statutory financial statements.

#### **Directors' qualifying third party indemnity provisions**

The Company has granted an indemnity to one or more of 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 at the date of approving the directors' report.

# **Stirling Water Seafield Finance Plc**

## **Directors' Report (continued)**

### **Statement of directors' responsibilities**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable laws 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 International Financial Reporting Standards as adopted for use in the European Union ("IFRS"). 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 those 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
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

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.

### **Principal risks and uncertainties**

The directors consider that the key risk affecting the Company is the ability of Stirling Water Seafield Limited (the Company's parent entity) to meet re-payments as they fall due.

Other key financial risks to the Company are set out in note 7.

### **Donations**

Charitable donations of £nil (31 March 2012: £nil) were made during the period.

### **Post balance sheet events**

There were no post balance sheet events relating to the Company.

### **Disclosure of information to auditors**

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, each director has taken all steps that he is obliged to take as a director in order to make himself aware of that information and to establish that the Company's auditor is aware of that information.

### **Auditors**

In accordance with Section 487(2) of the Companies Act 2006, and in the absence of a notice proposing that the appointment be terminated, the auditors, Ernst & Young LLP, will be deemed to be re-appointed for the next financial year.

By order of the Board

Director



Andrew Dench

24 June 2013

# **Stirling Water Seafield Finance Plc**

## **Independent auditor's report to the shareholders of Stirling Water Seafield Finance Plc**

We have audited the financial statements of Stirling Water Finance Plc for the period ended 31 December 2012 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 Statement of directors' responsibilities set out on page 3, 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. 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 December 2012 and of its result for the period then ended;
- ▶ have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the period for which the financial statements are prepared is consistent with the financial statements.

### **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.

Ernst & Young LLP

Steven Dobson (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

28 June 2013

## **Stirling Water Seafield Finance Plc**

### **Statement of comprehensive income for the period ended 31 December 2012**

|                                                                                                                  |       | 9 months<br>ended<br>31 December<br>2012<br>£000 | Year<br>ended<br>31 March<br>2012<br>£000 |
|------------------------------------------------------------------------------------------------------------------|-------|--------------------------------------------------|-------------------------------------------|
|                                                                                                                  | Notes |                                                  |                                           |
| <b>Continuing operations</b>                                                                                     |       |                                                  |                                           |
| Investment income                                                                                                | 3     | 3,852                                            | 5,308                                     |
| Finance costs                                                                                                    | 4     | (3,852)                                          | (5,308)                                   |
| <b>Profit before tax from continuing operations</b>                                                              |       | -                                                | -                                         |
| Income tax (expense)/credit                                                                                      |       | -                                                | -                                         |
| <b>Other comprehensive income</b>                                                                                |       | -                                                | -                                         |
| <b>Total comprehensive income for the period / year net of tax<br/>attributable to the owners of the Company</b> |       | -                                                | -                                         |

The accompanying notes are an integral part of these financial statements.

# Stirling Water Seafield Finance Plc

## Statement of financial position for the period ended 31 December 2012

|                                | Notes | 31 December<br>2012<br>£000 | 31 March<br>2012<br>£000 | 1 April<br>2011<br>£000 |
|--------------------------------|-------|-----------------------------|--------------------------|-------------------------|
| <b>ASSETS</b>                  |       |                             |                          |                         |
| <b>Non-current assets</b>      |       |                             |                          |                         |
| Trade and other receivables    | 5     | 71,180                      | 71,548                   | 74,724                  |
| <b>Current assets</b>          |       |                             |                          |                         |
| Trade and other receivables    | 5     | 3,373                       | 3,284                    | 3,063                   |
| <b>Total assets</b>            |       | <b>74,553</b>               | <b>74,832</b>            | <b>77,787</b>           |
| <b>LIABILITIES</b>             |       |                             |                          |                         |
| <b>Current liabilities</b>     |       |                             |                          |                         |
| Borrowings                     | 6     | (3,323)                     | (3,234)                  | (3,013)                 |
| <b>Net current assets</b>      |       | <b>50</b>                   | <b>50</b>                | <b>50</b>               |
| <b>Non-current liabilities</b> |       |                             |                          |                         |
| Borrowings                     | 6     | (71,180)                    | (71,548)                 | (74,724)                |
| <b>Total liabilities</b>       |       | <b>(74,503)</b>             | <b>(74,782)</b>          | <b>(77,737)</b>         |
| <b>Net assets</b>              |       | <b>50</b>                   | <b>50</b>                | <b>50</b>               |
| <b>EQUITY</b>                  |       |                             |                          |                         |
| Share capital                  | 9     | 50                          | 50                       | 50                      |
| <b>Total equity</b>            |       | <b>50</b>                   | <b>50</b>                | <b>50</b>               |

The financial statements on pages 5 to 18 were approved by the board of directors and authorised for issue on 24 June 2013. They were signed on its behalf by:

Director



Andrew Dench

The accompanying notes are an integral part of these financial statements.

## **Stirling Water Seafeld Finance Plc**

### **Statement of changes in equity for the period ended 31 December 2012**

#### **Attributable to equity holders of the Company**

|                            | Share<br>Capital<br>£000 |
|----------------------------|--------------------------|
| <b>At 1 April 2011</b>     | 50                       |
| Total comprehensive income | -                        |
| <b>At 31 March 2012</b>    | <hr/> 50 <hr/>           |
| Total comprehensive income | -                        |
| <b>At 31 December 2012</b> | <hr/> 50 <hr/>           |

## **Stirling Water Seafield Finance Plc**

### **Statement of cash flows**

for the period ended 31 December 2012

The company does not present a statement of cash flows as it holds no bank account and no cash flows are generated from the company's operations. Note 10 provides details of Non-cash transactions during the period.

# **Stirling Water Seafield Finance Plc**

## **Notes to the financial statements**

for the period ended 31 December 2012

### **1 Accounting principles and methods**

#### **Accounting standards framework**

##### **Basis underlying the preparation of the financial information**

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs). These are the Company's first financial statements prepared in accordance with IFRSs and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

An explanation of how the transition to IFRSs has affected the reported financial position is provided in note 12.

The Company has changed its accounting year end to match that of its parent company. These financial statements present financial information for the nine month period ended 31 December 2012.

These financial statements are accompanied, for comparative purposes, by financial statements for years ended 31 March 2012 and 31 March 2011 and have been drawn up using the same accounting policies in its opening IFRS statement of financial position and throughout all periods presented.

##### **Texts which come into mandatory effect for the Company in the next or future accounting period**

IFRS 9 'Financial Instruments: Classification and Measurement of Financial Assets and Liabilities' (effective 1 January 2015);

IFRS 10 'Consolidated Financial Statements' (effective 1 January 2013);

IFRS 11 'Joint Arrangements' (effective 1 January 2013);

IFRS 12 'Disclosure of Interests in Other Entities' (effective 1 January 2013);

IFRS 13 'Fair value measurement' (effective 1 January 2013);

Amendments to IAS 1 'Presentation of Financial Statements', revision of items presented within other comprehensive income (effective 1 July 2012);

Amendments to IAS 19 'Employee Benefits', revision to eliminate the possibility of deferring the recognition of actuarial gains and losses (the corridor approach) (effective 1 January 2013);

Amendments to IAS 27 'Separate Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures', consequential amendments resulting from the issue of IFRS 10 and IFRS 11 (effective 1 January 2013);

Amendments to IFRS 7 'Financial Instruments: Disclosure', revision to increase disclosure relating to the offsetting of financial assets and liabilities (effective 1 January 2013);

Amendments to IAS 32 'Financial Instruments: Presentation', consequential amendment to IAS 32 following the amendment to IFRS 7 (effective 1 January 2014);

Subject to their definitive adoption by the European Union, these standards, standard amendments and interpretations are of mandatory application from 1 January 2013 or later. Management do not consider the applications of these standards and interpretations will have a material impact to the Company.

# **Stirling Water Seaford Finance Plc**

## **Notes to the financial statements (continued)**

for the period ended 31 December 2012

### **1 Accounting principles and methods (continued)**

#### **General principles underlying the preparation of the financial statements**

The accounting methods presented below have been applied consistently for all periods presented in the financial statements.

The financial statements are presented on a historical cost basis.

#### **Basis of presentation as of 31 December 2012**

The financial statements are presented in thousands of pounds, unless stated otherwise.

#### **Financial instruments**

##### **Financial assets and liabilities**

##### **Measurement and recognition of financial assets**

Financial assets are initially recognised at fair value plus transaction costs and are subsequently measured at amortised cost.

All of the Company's financial assets are classified as loans and other receivables.

##### **Loans and other receivables**

This category includes trade and other receivables. After initial recognition at fair value, these instruments are recognised and measured at amortised cost using the effective interest method.

An impairment loss is recognised if the carrying amount of these assets exceeds the present value of future cash flows discounted at the initial effective interest rate. Any such impairment loss is recognised in the statement of comprehensive income.

Gains and losses on trade and other receivables consist of interest income and impairment losses.

##### **Borrowing costs**

Borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

##### **Recognition and measurement of financial liabilities**

Borrowings and other financial liabilities are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the estimated term of the financial instrument or, where applicable, over a shorter period, to the net carrying amount of the financial asset or liability.

##### **Financial items in the statement of comprehensive income**

Finance costs consist of interest payable on borrowings calculated using the amortised cost method.

Finance income consists of income from group loans.

Interest income is recognised in the statement of comprehensive income when earned, using the effective interest method.

# Stirling Water Seafield Finance Plc

## Notes to the financial statements (continued)

for the period ended 31 December 2012

### 1 Accounting principles and methods (continued)

#### Critical accounting estimates and judgments

Management make estimates and assumptions concerning the future, and uses judgment in applying the Company's accounting policies. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management have not made any material estimates or assumptions that may result in a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### 2 Profit from operations

No remuneration or pension contributions were paid to directors for services to the Company (31 March 2012: £nil). These costs were paid by and charged in the accounts of other group companies. Of the total remuneration, a total amount of £13k (31 March 2012: £16k) can be attributed to the Stirling Water Seafield Holdings Limited group of companies for the qualifying services performed.

The Company has no employees.

The auditor's remuneration and non-audit fees have been borne by the Company's immediate parent, Stirling Water Seafield Limited. Total audit fees for the Stirling Water Seafield Holdings Limited group of companies amount to £20k (31 March 2012: £25k).

### 3 Investment income

|                                             | 31 December<br>2012<br>£000 | 31 March<br>2012<br>£000 |
|---------------------------------------------|-----------------------------|--------------------------|
| Interest receivable from group undertakings | 3,852                       | 5,308                    |

### 4 Finance costs

|                                              | 31 December<br>2012<br>£000 | 31 March<br>2012<br>£000 |
|----------------------------------------------|-----------------------------|--------------------------|
| Interest payable on guaranteed secured bonds | 3,852                       | 5,308                    |

### 5 Trade and other receivables

|                                   | 31 December<br>2012<br>£000 | 31 March<br>2012<br>£000 | 1 April<br>2011<br>£000 |
|-----------------------------------|-----------------------------|--------------------------|-------------------------|
| Due within one year:              |                             |                          |                         |
| Loans to parent company (note 12) | 3,373                       | 3,284                    | 3,063                   |
| Due after one year:               |                             |                          |                         |
| Loans to parent company (note 12) | 71,180                      | 71,548                   | 74,724                  |

The directors estimate that the fair value of the company's trade and other receivables is £80,002,000.

## **Stirling Water Seafield Finance Plc**

### **Notes to the financial statements (continued)**

for the period ended 31 December 2012

#### **6 Borrowings**

|                                                                                       | 31 December<br>2012<br>£000 | 31 March<br>2012<br>£000 | 1 April<br>2011<br>£000 |
|---------------------------------------------------------------------------------------|-----------------------------|--------------------------|-------------------------|
| Bonds – guaranteed secured notes due 2026                                             | 74,503                      | 74,782                   | 77,737                  |
| Borrowings are repayable as follows:                                                  |                             |                          |                         |
| On demand or within one year                                                          | 3,323                       | 3,234                    | 3,013                   |
| In the second year                                                                    | 7,351                       | 6,918                    | 6,540                   |
| In the third to fifth years inclusive                                                 | 8,404                       | 7,994                    | 7,476                   |
| After five years                                                                      | 55,425                      | 56,636                   | 60,708                  |
| Less: Amount due for settlement within 12 months<br>(shown under current liabilities) | 3,323                       | 3,234                    | 3,013                   |
| Amount due for settlement after 12 months                                             | 71,180                      | 71,548                   | 74,724                  |

Guaranteed secured bonds with a total value of £102,900,000 (31 March 2012: £102,900,000) have been issued by the Company at an interest rate of 5.822%. The bonds are secured on all sums due or to become due. The guaranteed secured bonds are guaranteed by a financial guarantee insurance policy issued by MBIA Assurance S.A.

The bonds have been stated in the balance sheet net of bond issue costs amounting to £3,237,000 (31 March 2012: £3,548,000) that are being amortised over the life of the bonds.

Since September 2004 the bonds are being repaid in bi-annual instalments, and will be repaid in full by September 2026.

The directors estimate the fair value of the Company's borrowings is £79,948,000

As part of the existing finance arrangements relating to the variation bond issued in the year ended 31 March 2000, the Company has the ability to raise a further £6,000,000 (31 March 2012: £6,000,000). This has not been put to the market.

#### **7 Financial risk management**

The Company finances its operations through bonds. The Group's central treasury department manages liquidity, interest rate and foreign exchange risk centrally within limits set by the Chief Financial Officer.

##### **Foreign currency risk**

The Company is not exposed to foreign currency risk as the Company operates principally in the UK and at each reporting date all financial assets and financial liabilities are denominated in Sterling.

##### **Interest rate risk**

The Company is not exposed to interest rate risk as the interest rates on its guaranteed secured bonds and loans to parent company are fixed.

##### **Liquidity risk**

The Company is not exposed to significant liquidity risk as it performs limited operations. The liabilities it has to meet are in relation to the bonds in issue. Assuming that Stirling Water Seafield Limited meets its obligations to the Company, liquidity risk is minimal.

##### **Credit risk**

The key risk affecting the Company is the ability of Stirling Water Seafield Limited (the Company's parent entity) to meet re-payments as they fall due.

# Stirling Water Seafield Finance Plc

## Notes to the financial statements (continued)

for the period ended 31 December 2012

### 8 Financial instruments

#### Categories of financial instruments

All of the Company's financial assets at 31 December 2012, 31 March 2012 and 1 April 2011 are categorised as loans and receivables and measured at amortised cost.

All of the Company's financial liabilities at 31 December 2012, 31 March 2012 and 1 April 2011 are categorised as borrowings and measured at amortised cost.

#### Fair value

The Company does not hold any financial instruments at fair value. However, set out below is a comparison of the carrying amounts and fair value of the Company's borrowings:

|                              | 31 December 2012 |            | 31 March 2012   |            | 1 April 2011    |            |
|------------------------------|------------------|------------|-----------------|------------|-----------------|------------|
|                              | Carrying amount  | Fair value | Carrying amount | Fair value | Carrying amount | Fair value |
|                              | £000             | £000       | £000            | £000       | £000            | £000       |
| <b>Financial liabilities</b> |                  |            |                 |            |                 |            |
| Borrowings                   | 74,503           | 79,948     | 74,782          | 82,328     | 77,737          | 72,171     |
| <b>Financial assets</b>      |                  |            |                 |            |                 |            |
| Loans to parent company      | (74,553)         | (80,002)   | (74,832)        | (86,233)   | (77,787)        | (85,865)   |

#### Liquidity risk

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date of which the Company can be required to pay. The tables include principal cash flows.

| Timing of cash flows       |                                            |                         |                                   |                                    |                              |               |
|----------------------------|--------------------------------------------|-------------------------|-----------------------------------|------------------------------------|------------------------------|---------------|
|                            | Weighted average effective interest rate % | Within one year<br>£000 | Between one and two years<br>£000 | Between two and five years<br>£000 | More than five years<br>£000 | Total<br>£000 |
| <b>At 31 December 2012</b> |                                            |                         |                                   |                                    |                              |               |
| Guaranteed secured bonds   | 6.0                                        | 3,323                   | 7,351                             | 8,404                              | 55,425                       | 74,503        |
| <b>At 31 March 2012</b>    |                                            |                         |                                   |                                    |                              |               |
| Guaranteed secured bonds   | 6.0                                        | 3,234                   | 6,918                             | 7,994                              | 56,636                       | 74,782        |
| <b>At 1 April 2011</b>     |                                            |                         |                                   |                                    |                              |               |
| Guaranteed secured bonds   | 6.0                                        | 3,013                   | 6,540                             | 7,476                              | 60,708                       | 77,737        |

# Stirling Water Seafield Finance Plc

## Notes to the financial statements (continued)

for the period ended 31 December 2012

### 8 Financial instruments (continued)

The following tables detail the Company's expected maturity for its financial assets. The tables have been drawn up based on the undiscounted contractual maturities of the financial assets. The inclusion of information on financial assets is necessary to understand the Company's liquidity risk management as liquidity is managed on a net asset and liability basis.

|                            | Weighted<br>average<br>effective<br>interest rate<br>% | Timing of cash flows       |                                         |                                          |                                 | Total<br>£000 |
|----------------------------|--------------------------------------------------------|----------------------------|-----------------------------------------|------------------------------------------|---------------------------------|---------------|
|                            |                                                        | Within one<br>year<br>£000 | Between<br>one and two<br>years<br>£000 | Between<br>two and five<br>years<br>£000 | More than<br>five years<br>£000 |               |
| <b>At 31 December 2012</b> |                                                        |                            |                                         |                                          |                                 |               |
| Loan to parent company     | 6.0                                                    | 3,373                      | 7,351                                   | 8,404                                    | 55,425                          | 74,553        |
|                            |                                                        | <hr/>                      | <hr/>                                   | <hr/>                                    | <hr/>                           | <hr/>         |
| <b>At 31 March 2012</b>    |                                                        |                            |                                         |                                          |                                 |               |
| Loan to parent company     | 6.0                                                    | 3,284                      | 6,918                                   | 7,994                                    | 56,636                          | 74,832        |
|                            |                                                        | <hr/>                      | <hr/>                                   | <hr/>                                    | <hr/>                           | <hr/>         |
| <b>At 31 April 2011</b>    |                                                        |                            |                                         |                                          |                                 |               |
| Loan to parent company     | 6.0                                                    | 3,063                      | 6,540                                   | 7,476                                    | 60,708                          | 77,787        |
|                            |                                                        | <hr/>                      | <hr/>                                   | <hr/>                                    | <hr/>                           | <hr/>         |

### 9 Share capital

|                                           | 31 December<br>2012<br>£000 | 31 March<br>2012<br>£000 | 1 April<br>2011<br>£000 |
|-------------------------------------------|-----------------------------|--------------------------|-------------------------|
| <i>Allotted, called-up and fully-paid</i> |                             |                          |                         |
| 50,000 ordinary shares of £1 each         | 50                          | 50                       | 50                      |
|                                           | <hr/>                       | <hr/>                    | <hr/>                   |

### Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the period ended 31 December 2012 or the year ended 31 March 2012.

## Stirling Water Seafeld Finance Plc

### Notes to the financial statements (continued)

for the period ended 31 December 2012

#### 10 Non-Cash Transactions

The company incurred the following significant non-cash transactions:

|                   | 9 months ended<br>31 December<br>2012<br>£000 | Year ended<br>31 March<br>2012<br>£000 |
|-------------------|-----------------------------------------------|----------------------------------------|
| Investment income | (3,852)                                       | (5,308)                                |
| Finance costs     | 3,852                                         | 5,308                                  |

The company has an intercompany funding arrangement with its immediate parent company Stirling Water Seafeld Limited which pays interest to the company on the same contractual terms as the interest the company pays on the bonds.

#### 11 Related party transactions

The immediate parent Company is Stirling Water Seafeld Limited, a company incorporated in the UK. The ultimate parent company is Veolia Environnement SA, a company incorporated in France. Veolia Environnement SA is the largest group and Veolia Water UK Limited is the smallest group which includes the Company and for which consolidated financial statements are prepared.

Copies of the consolidated financial statements for Veolia Environnement SA are available from the Head Office at 36 – 38 Avenue Kléber, 75116 Paris, France.

#### Trading transactions

During the period, the Company entered into the following trading transactions with related parties:

|                             | Interest receivable         |                          |                      | Interest payable            |                          |                      |
|-----------------------------|-----------------------------|--------------------------|----------------------|-----------------------------|--------------------------|----------------------|
|                             | 31 December<br>2012<br>£000 | 31 March<br>2012<br>£000 | 1 April 2011<br>£000 | 31 December<br>2012<br>£000 | 31 March<br>2012<br>£000 | 1 April 2011<br>£000 |
| Intermediate parent company | 3,852                       | 5,308                    | 5,459                | -                           | -                        | -                    |

|                             | Amounts owed by related parties |                          |                         | Amounts owed to related parties |                          |                      |
|-----------------------------|---------------------------------|--------------------------|-------------------------|---------------------------------|--------------------------|----------------------|
|                             | 31 December<br>2012<br>£000     | 31 March<br>2012<br>£000 | 1 April<br>2011<br>£000 | 31 December<br>2012<br>£000     | 31 March<br>2012<br>£000 | 1 April 2011<br>£000 |
| Intermediate parent company | 74,553                          | 74,832                   | 77,787                  | -                               | -                        | -                    |

The net proceeds of the bond issues have been lent to the intermediate parent company 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.

## Stirling Water Seafield Finance Plc

### Notes to the financial statements (continued)

for the period ended 31 December 2012

#### 12 Transition to IFRS

These are the Company's first financial statements prepared in accordance with IFRS, as adopted in the European Union. The Company's date of transition to IFRS is 1 April 2011.

An explanation of how the transition from UK GAAP to IFRS has affected the Company's financial position and financial performance is set out below.

IFRS 1 permits companies adopting IFRS for the first time to take certain exemptions from retrospective application of IFRS before the date of transition to IFRS. No exemptions have been taken in preparing these financial statements.

#### Reconciliation of equity at 31 March 2012

|                             | UK GAAP<br>£000 | Adjustments<br>£000 | IFRS<br>£000 |
|-----------------------------|-----------------|---------------------|--------------|
| <b>ASSETS</b>               |                 |                     |              |
| Non-current assets          |                 |                     |              |
| Trade and other receivables | 73,384 Note 1   | (1,836)             | 71,548       |
| Current assets              |                 |                     |              |
| Trade and other receivables | 3,284           | -                   | 3,284        |
| Total assets                | 76,668          | (1,836)             | 74,832       |
| <b>LIABILITIES</b>          |                 |                     |              |
| Current liabilities         |                 |                     |              |
| Borrowings                  | (3,234)         | -                   | (3,234)      |
| Net current assets          | 73,434          | (1,836)             | 71,598       |
| Non-current liabilities     |                 |                     |              |
| Borrowings                  | (73,384) Note 1 | 1,836               | (71,548)     |
| Total liabilities           | (76,618)        | 1,836               | (74,782)     |
| Net assets                  | 50              | -                   | 50           |
| <b>EQUITY</b>               |                 |                     |              |
| Share capital               | 50              | -                   | 50           |
| Total equity                | 50              | -                   | 50           |

# Stirling Water Seafield Finance Plc

## Notes to the financial statements (continued)

for the period ended 31 December 2012

### 12 Transition to IFRS (continued)

#### Reconciliation of equity at 1 April 2011

|                             | UK GAAP<br>£000 |        | Adjustments<br>£000 | IFRS<br>£000 |
|-----------------------------|-----------------|--------|---------------------|--------------|
| <b>ASSETS</b>               |                 |        |                     |              |
| Non-current assets          |                 |        |                     |              |
| Trade and other receivables | 76,618          | Note 1 | (1,894)             | 74,724       |
|                             | <hr/>           |        | <hr/>               | <hr/>        |
| Current assets              |                 |        |                     |              |
| Trade and other receivables | 3,063           |        | -                   | 3,063        |
|                             | <hr/>           |        | <hr/>               | <hr/>        |
| Total assets                | 79,681          |        | (1,894)             | 77,787       |
|                             | <hr/>           |        | <hr/>               | <hr/>        |
| <b>LIABILITIES</b>          |                 |        |                     |              |
| Current liabilities         |                 |        |                     |              |
| Borrowings                  | (3,013)         |        | -                   | (3,013)      |
|                             | <hr/>           |        | <hr/>               | <hr/>        |
| Net current assets          | 50              |        | -                   | 50           |
|                             | <hr/>           |        | <hr/>               | <hr/>        |
| Non-current liabilities     |                 |        |                     |              |
| Borrowings                  | (76,618)        | Note 1 | 1,894               | (74,724)     |
|                             | <hr/>           |        | <hr/>               | <hr/>        |
| Total liabilities           | (79,631)        |        | 1,894               | (77,737)     |
|                             | <hr/>           |        | <hr/>               | <hr/>        |
| Net assets                  | 50              |        | -                   | 50           |
|                             | <hr/>           |        | <hr/>               | <hr/>        |
| <b>EQUITY</b>               |                 |        |                     |              |
| Share capital               | 50              |        | -                   | 50           |
|                             | <hr/>           |        | <hr/>               | <hr/>        |
| Total equity                | 50              |        | -                   | 50           |
|                             | <hr/>           |        | <hr/>               | <hr/>        |

## Stirling Water Seafield Finance Plc

### Notes to the financial statements (continued)

for the period ended 31 December 2012

#### 12 Transition to IFRS (continued)

##### Reconciliation of profit for the year ended 31 March 2012

|                                                                                                     | UK GAAP<br>£000 |        | Adjustments<br>£000 | IFRS<br>£000 |
|-----------------------------------------------------------------------------------------------------|-----------------|--------|---------------------|--------------|
| <b>Continuing operations</b>                                                                        |                 |        |                     |              |
| Revenue                                                                                             | -               |        | -                   | -            |
| Investment income                                                                                   | 5,250           | Note 1 | 58                  | 5,308        |
| Finance costs                                                                                       | (5,250)         | Note 1 | (58)                | (5,308)      |
| <b>Profit before tax from continuing operations</b>                                                 |                 |        |                     |              |
| Income tax (expense)/credit                                                                         | -               |        | -                   | -            |
| <b>Other comprehensive income</b>                                                                   |                 |        |                     |              |
|                                                                                                     | -               |        | -                   | -            |
| <b>Total comprehensive income for the year net of tax attributable to the owners of the Company</b> |                 |        |                     |              |

##### Notes to the reconciliations

- Note 1: Under UK Gaap it was optional to measure financial liabilities at fair value. For IFRS it is required to measure such liabilities at amortised cost defined as being their fair value less transaction costs. The bond has therefore been remeasured in accordance with IAS 39 using the effective interest rate method for financial liabilities carried at amortised cost. .