

Stirling Water Seafield Finance Plc

Report and financial statements
for the year ended 31 December 2013

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

AJ Dench (resigned 31 December 2013)

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 Seafield Finance Plc

Directors Report

The directors present their report and the audited statutory financial statements for the year ended 31 December 2013.

Directors

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

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 December 2012: £nil).

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.

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 December 2012: £nil) were made during the year.

Stirling Water Seafield Finance Plc

Directors Report

Post balance sheet events

There are 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



Nigel Paterson

Director

26 June 2014

Stirling Water Seafield Finance Plc

Strategic Report

Principal activity

The Company is a wholly owned subsidiary of Stirling Water Seafield 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 Seafield.

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 year ended 31 December 2013 was £nil (9 month period ended 31 December 2012: £nil).

The statement of financial position as detailed on page 8 shows equity shareholder's funds amounting to £50,000 (31 December 2012: £50,000).

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 Seafield Finance Plc.

By order of the Board



Nigel Paterson

Director

26 June 2014

Stirling Water Seafield Finance Plc

Independent auditors report to the shareholders of Stirling Water Seafield Finance Plc

We have audited the financial statements of Stirling Water Seafield Finance Plc for the year ended 31 December 2013 which comprise the Statement of comprehensive Income, the Statement of financial position, the Statement of changes in equity, the Statement of cash flows, and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted for use in 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 2, 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 2013 and of its result for the year then ended;
- ▶ have been properly prepared in accordance with IFRSs as adopted for use in 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.

Stirling Water Seafield Finance Plc

Independent auditors report to the shareholders of Stirling Water Seafield Finance Plc

Ernst & Young LLP

Steven Dobson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
26 June 2014

Stirling Water Seafield Finance Plc

Statement of comprehensive income

for the year ended 31 December 2013

		12 months ended 31 December 2013 £000	9 months ended 31 December 2012 £000
	Notes		
Continuing operations			
Investment income	3	5,581	3,852
Finance costs	4	(5,581)	(3,852)
Profit before tax from continuing operations		-	-
Income tax (expense)/credit		-	-
Other comprehensive income		-	-
Total comprehensive income for the year / period net of tax attributable to the owners of the Company		-	-

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

Stirling Water Seafield Finance Plc

Statement of financial position for the year ended 31 December 2013

	Notes	31 December 2013 £000	31 December 2012 £000
ASSETS			
Non-current assets			
Trade and other receivables	5	68,237	71,180
Current assets			
Trade and other receivables	5	3,635	3,373
Total assets		71,872	74,553
LIABILITIES			
Current liabilities			
Borrowings	6	(3,585)	(3,323)
Net current assets		50	50
Non-current liabilities			
Borrowings	6	(68,237)	(71,180)
Total liabilities		(71,822)	(74,503)
Net assets		50	50
EQUITY			
Share capital	9	50	50
Total equity		50	50

The financial statements on pages 6 to 20 were approved by the board of directors and authorised for issue on .They were signed on its behalf by:



Nigel Paterson

Director

26 June 2014

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

Stirling Water Seafield Finance Plc

Statement of changes in equity for the year ended 31 December 2013

Attributable to equity holders of the Company

	Share Capital £000
At 1 April 2012	50
Total comprehensive income	-
At 31 December 2012	50
Total comprehensive income	-
At 31 December 2013	50

Stirling Water Seafeld Finance Plc

Statement of cash flows

for the year ended 31 December 2013

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.

Notes to the financial statements for the year ended 31 December 2013

1 Accounting principles and methods

General Information

Stirling Water Seafield Finance Plc is a public limited company incorporated in Scotland.

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 for use in the European Union (IFRS). These financial statements present financial information for the year ended 31 December 2013.

The basis of preparation and accounting policies used in preparing the consolidated financial statements for the year ended 31 December 2013 and the 9 month period ended 31 December 2012 are set out below. These accounting policies have been consistently applied.

Standards, interpretations and amendments to existing standards that are not yet effective and have not been previously adopted by the Group

Certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2014 or later periods but which the Group has not previously adopted. Those that are applicable to the Company are as follows:

IFRS 9 'Financial Instruments: Classification and Measurement', not yet endorsed by the EU – The standard has been issued as the IASB completes each phase of its project to replace IAS 39. The first elements of IFRS 9 were issued in November 2009 and October 2010 to replace the parts of IAS 39 that relate to the classification and measurement of financial instruments. In November 2013 an amendment was issued to address hedge accounting and to remove the previously determined effective date of 1 January 2015. Instead, the IASB proposes to set the effective date of IFRS 9 when it completes the impairment phase of the project. The Company will assess IFRS 9's full impact and will determine the date to adopt IFRS 9 once it is endorsed for use in the EU.

IFRS 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7', applicable for annual periods beginning on or after 1 July 2013 – These amendments require an entity to disclose information about rights to set-off and related arrangements. The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 'Financial Instruments Presentation.' The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will have no impact on the Company's financial position or performance.

IAS 32 'Offsetting Financial Assets and Financial Liabilities – Amendment to IAS 32', applicable for annual periods beginning on or after 1 January 2014 – These amendments clarify the meaning of 'currently has a legally enforceable right to set-off'. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous. No material impact is expected.

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 2013

The financial statements are presented in thousands of pounds (£000s), unless stated otherwise.

Notes to the financial statements

for the year ended 31 December 2013

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.

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.

Notes to the financial statements
for the year ended 31 December 2013

2 Profit from operations

No remuneration or pension contributions were paid to directors for services to the Company (31 December 2012: £nil). These costs were paid by and charged in the accounts of other group companies. Of the total remuneration, a total amount of £17k (31 December 2012: £13k) can be attributed to the Stirling Water Seafield Holdings Limited group of companies, of which the Company is a part, 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 amounted to £20k (31 December 2012: £20k).

3 Investment income

	Year ended 31 December 2013 £000	Nine month period ended 31 December 2012 £000
Interest receivable from group undertakings	5,581	3,852

4 Finance costs

	Year ended 31 December 2013 £000	Nine month period ended 31 December 2012 £000
Interest payable on guaranteed secured bonds	5,581	3,852

5 Trade and other receivables

	31 December 2013 £000	31 December 2012 £000
Due within one year:		
Loans to parent company (note 12)	3,635	3,373
Due after one year:		
Loans to parent company (note 12)	68,237	71,180

The directors estimate that the fair value of the company's trade and other receivables is £74,677,000.

Notes to the financial statements
for the year ended 31 December 2013

6 Borrowings

	31 December 2013 £000	31 December 2012 £000
Bonds – guaranteed secured notes due 2026	71,822	74,503
Borrowings are repayable as follows:		
On demand or within one year	3,585	3,323
In the second year	3,833	3,585
In the third to fifth years inclusive	13,164	12,312
After five years	51,240	55,283
Less: Amount due for settlement within 12 months (shown under current liabilities)	3,585	3,323
Amount due for settlement after 12 months	68,237	71,180

Guaranteed secured bonds with a total value of £102,900,000 (31 December 2012: £102,900,000) were issued by the Company at an interest rate of 5.822% on 26th September 1999. 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 unamortised bond issue costs amounting to £2,805,000 (31 December 2012: £3,237,000) 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 £74,627,000.

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 December 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. Provided that Stirling Water Seaford Limited meets its obligations to the Company, liquidity risk is minimal.

Notes to the financial statements

for the year ended 31 December 2013

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.

8 Financial instruments

Categories of financial instruments

All of the Company's financial assets at 31 December 2013 and 31 December 2012 are categorised as loans and receivables and measured at amortised cost.

All of the Company's financial liabilities at 31 December 2013 and 31 December 2012 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 2013		31 December 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial liabilities				
Borrowings	71,822	74,627	74,503	78,381
Financial assets				
Loans to parent company	(71,872)	(74,677)	(74,553)	(78,431)

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 £000	Between one and two years £000	Between two and five years £000	More than five years £000	Total £000
At 31 December 2013						
Guaranteed secured bonds	6.8	3,976	4,211	14,185	52,255	74,627
At 31 December 2012						
Guaranteed secured bonds	6.8	3,754	3,976	13,394	57,257	78,381

Notes to the financial statements
for the year ended 31 December 2013

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 average effective interest rate %	Timing of cash flows				Total £000
		Within one year £000	Between one and two years £000	Between two and five years £000	More than five years £000	
At 31 December 2013						
Loan to parent company	6.8	4,026	4,211	14,185	52,255	74,677
At 31 December 2012						
Loan to parent company	6.8	3,804	3,976	13,394	57,257	78,431

9 Share capital

	31 December 2013 £000	31 December 2012 £000
<i>Allotted, called-up and fully-paid</i>		
50,000 ordinary shares of £1 each	50	50

An unlimited number of common shares with a £1 par value are authorised for issue.

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 year ended 31 December 2013 or the nine month period ended 31 December 2012.

Notes to the financial statements
for the year ended 31 December 2013

10 Non-cash transactions

The Company incurred the following significant non-cash transactions:

	Year ended 31 December 2013 £000	9 Month period ended 31 December 2012 £000
Investment income	(5,581)	(3,852)
Finance costs	<u>5,581</u>	<u>3,852</u>

Notes to the financial statements
for the year ended 31 December 2013

11 Related party transactions

The immediate parent Company is Stirling Water Seafield 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 year, the Company entered into the following trading transactions with related parties:

	Interest receivable		Interest payable	
	31		31	
	31 December	December	31 December	December
	2013	2012	2013	2012
	£000	£000	£000	£000
Intermediate parent company	5,581	3,852	-	-

	Amounts owed by related parties		Amounts owed to related parties	
	31 December	31 December	31 December	31 December
	2013	2012	2013	2012
	£000	£000	£000	£000
Intermediate parent company	71,872	74,553	-	-

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.