

## **Stirling Water Seafield Finance Plc**

Report and financial statements  
for the year ended 31 December 2015

Registered number: **SC190621**

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# Stirling Water Seafeld Finance Plc

## Strategic Report

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# **Stirling Water Seafield Finance Plc**

## **Directors and officers**

### **Directors**

N Paterson

K Ratcliffe (appointed 2 June 2015, resigned 31 March 2016)

S Beattie (appointed 31 March 2016)

C Garrett (appointed 31 March 2016)

M Saunders (resigned 2 June 2015)

### **Secretary**

C Garrett

### **Registered office**

Princes Exchange

1 Earl Grey Street

Edinburgh

EH3 9AQ

### **Auditor**

Ernst & Young LLP

G1, 5 George Square

Glasgow

G2 1DY

# **Stirling Water Seafield Finance Plc**

## **Strategic Report**

The Directors present their strategic report for Stirling Water Seafield Finance plc (the Company) for the year ended 31 December 2015.

### **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 facilities and provide services relating to the treatment and disposal of sewage sludge in relation to Almond Valley, Seafield and Esk catchment areas.

### **Business review**

The Company continued its core business activity to support the activities of group companies. No changes in its core business activity is anticipated in the foreseeable future.

Result from ordinary activities after taxation for the year ended 31 December 2015 was £nil (year ended 31 December 2014: £nil).

The Balance sheet detailed on page 8 shows equity shareholder's funds amounting to £50,000 (31 December 2014: £50,000).

### **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 loan re-payments as they fall due.

### **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 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 repayments as they fall due.

The Company manages its credit risk by assessing Stirling Water Seafield Limited's budgeted cash flows and long term forecasts, related assumptions and available debt facilities.

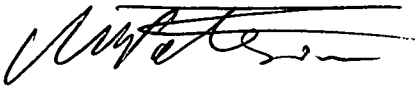
# **Stirling Water Seafeld Finance Plc**

## **Strategic Report**

### **Financial key performance indicators**

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 the individual subsidiary financial statements of Stirling Water Seafeld Finance Plc.

By order of the Board

A handwritten signature in black ink, appearing to read 'N Paterson', with a horizontal line drawn through it.

N Paterson

Director

Date: 15 April 2016

# **Stirling Water Seafield Finance Plc**

## **Directors' Report**

The Directors present their report and the audited statutory financial statements for the year ended 31 December 2015.

### **Directors**

The Directors holding office during the year and to the date of this report are disclosed on page 1.

### **Dividends**

During the year ended 31 December 2015 dividends of £nil were declared and paid (2014: £nil) and dividends of £nil were received (2014: £nil).

### **Corporate Governance**

As a general guiding principle, the company falls under the VUK group (the intermediate parent undertaking for the UK based waste, water and energy service companies under the control of the ultimate parent company, Veolia Environnement S.A.) which adopt the principles and rules contained in the most widely recognised good governance recommendations.

### **Internal Control**

During the year under review, the Directors of the company had overall responsibility for establishing and maintaining an adequate system of internal controls within the company and they participated in the review of internal controls over financial reporting and the certification process which took place on a Veolia group-wide basis. The effectiveness of the system at VUK group level was kept under review through the work of the VUK group Internal Audit department. The system of internal control is designed to manage rather than eliminate risk. In pursuing these objectives, internal control can only provide reasonable and not absolute assurance against material misstatement or loss.

A risk and control governance framework is in place across the VUK group and is subject to continuous review and development. The company is committed to ensuring that a proper control environment is maintained. There is a commitment to competence and integrity and to the communication of ethical values and control consciousness to managers and employees. Human Resources policies underpin that commitment by a focus on enhancing job skills and promoting high standards of probity among staff. In addition, the appropriate organisational structure has been developed within which to control the businesses and to delegate authority and accountability, having regard to acceptable levels of risk.

VUK group has fraud and anti-bribery policies and procedures in place to ensure that all incidences of fraud and bribery are appropriately investigated and reported. Further, VUK group has adopted a Whistle-blower Protection Policy, incorporating a confidential external reporting service operated by an independent provider.

### **Identification and Evaluation of Risks and Control Objectives**

During the year under review the VUK group governance structure was supported by risk policies approved by the VUK group Board. The company identifies and assesses the key business risks associated with the achievement of its strategic objectives. Any key actions needed to further enhance the control environment are identified, along with the person responsible for the management of the specific risk.

### **Financial risk**

Financial risk and its management is described in the Strategic report.

### **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, long term forecasts related assumptions and available debt facilities. For this reason, the Directors continue to adopt the going concern basis in the statutory financial statements.

### **Future Developments**

The Company continued its core business activity to support the activities of group companies. No changes in its core business activity is anticipated in the foreseeable future.

# **Stirling Water Seafield Finance Plc**

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

### **Statement of Directors' responsibilities**

The Directors are responsible for preparing the Strategic report, Directors report and 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.

### **Post balance sheet events**

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

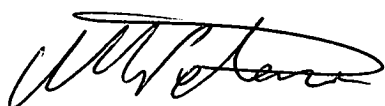
### **Disclosure of information to auditors**

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



N Paterson

Director

15 April 2016

## Independent auditor's report to the members of Stirling Water Seafield Finance plc

We have audited the financial statements of Stirling Water Seafield Finance Plc for the year ended 31 December 2015 which comprise the Income statement and Statement of comprehensive Income, the Balance sheet, the Statement of changes in equity, the Statement of cash flows, and the related notes 1 to 9. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) 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 5, 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 Report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- ▶ give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its result for the year 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.

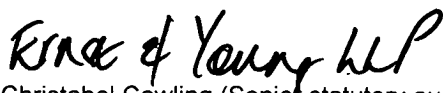
### Opinion on other matters prescribed by the Companies Act 2006

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

### 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.



Christabel Cowling (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Glasgow  
18 April 2016

## Stirling Water Seafield Finance Plc

Income statement and Statement of comprehensive income  
for the year ended 31 December 2015

|                                                                                                     | Notes | 2015<br>£000 | 2014<br>£000 |
|-----------------------------------------------------------------------------------------------------|-------|--------------|--------------|
| <b>Continuing operations</b>                                                                        |       |              |              |
| Finance income                                                                                      | 3     | 4,430        | 4,679        |
| Finance costs                                                                                       | 4     | (4,430)      | (4,679)      |
| <b>Result before tax from continuing operations</b>                                                 |       | <hr/>        | <hr/>        |
| Income tax expense                                                                                  |       | -            | -            |
| <b>Result for the year</b>                                                                          |       | <hr/>        | <hr/>        |
| <b>Other comprehensive income</b>                                                                   |       | -            | -            |
| <b>Total comprehensive income for the year net of tax attributable to the owners of the Company</b> |       | <hr/>        | <hr/>        |

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

# Stirling Water Seafield Finance Plc

## Balance Sheet

for the year ended 31 December 2015

Company registration number: SC190621

|                                | Notes | 2015<br>£000    | 2014<br>£000    |
|--------------------------------|-------|-----------------|-----------------|
| <b>ASSETS</b>                  |       |                 |                 |
| <b>Non-current assets</b>      |       |                 |                 |
| Loans to parent company        | 5     | 60,306          | 64,404          |
| <b>Current assets</b>          |       |                 |                 |
| Loans to parent company        | 5     | 4,148           | 3,883           |
| <b>Total assets</b>            |       | <b>64,454</b>   | <b>68,287</b>   |
| <b>LIABILITIES</b>             |       |                 |                 |
| <b>Current liabilities</b>     |       |                 |                 |
| Borrowings                     | 6     | (4,098)         | (3,833)         |
| <b>Net current assets</b>      |       | <b>50</b>       | <b>50</b>       |
| <b>Non-current liabilities</b> |       |                 |                 |
| Borrowings                     | 6     | (60,306)        | (64,404)        |
| <b>Total liabilities</b>       |       | <b>(64,404)</b> | <b>(68,237)</b> |
| <b>Net assets</b>              |       | <b>50</b>       | <b>50</b>       |
| <b>EQUITY</b>                  |       |                 |                 |
| Share capital                  | 8     | 50              | 50              |
| <b>Total equity</b>            |       | <b>50</b>       | <b>50</b>       |

The financial statements on pages 7 to 18 were approved by the board of directors and authorised for issue. They were signed on its behalf by:



N Paterson

Director

15 April 2016

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 2015

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

|                            | Share<br>Capital<br>£000 |
|----------------------------|--------------------------|
| <b>At 1 January 2014</b>   | 50                       |
| Total comprehensive income | -                        |
| <b>At 31 December 2014</b> | <hr/> 50 <hr/>           |
| Total comprehensive income | -                        |
| <b>At 31 December 2015</b> | <hr/> 50 <hr/>           |

## Stirling Water Seafield Finance Plc

### Statement of cash flows

for the year ended 31 December 2015

|                                                        | 2015<br>£000 | 2014<br>£000 |
|--------------------------------------------------------|--------------|--------------|
| <b>Cash flows from operating activities</b>            |              |              |
| Result before tax                                      | -            | -            |
|                                                        | <hr/>        | <hr/>        |
| <b>Net cash from operating activities (i)</b>          | -            | -            |
|                                                        | <hr/>        | <hr/>        |
| <b>Cash flows from financing activities</b>            |              |              |
| Interest received                                      | 4,430        | 4,679        |
| Interest paid                                          | (4,430)      | (4,679)      |
|                                                        | <hr/>        | <hr/>        |
| Net cash flow from financing activities (ii)           | -            | -            |
|                                                        | <hr/>        | <hr/>        |
|                                                        | <hr/>        | <hr/>        |
| <b>Increase in cash and cash equivalents (i) +(ii)</b> | -            | -            |
| <b>Cash and cash equivalents at beginning of year</b>  | -            | -            |
|                                                        | <hr/>        | <hr/>        |
| <b>Cash and cash equivalents at end of year</b>        | -            | -            |
|                                                        | <hr/>        | <hr/>        |

# Stirling Water Seafield Finance Plc

## Notes to the financial statements

for the year ended 31 December 2015

### 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 2015.

The basis of preparation and accounting policies used in preparing the financial statements for the year ended 31 December 2015 and the year ended 31 December 2014 are set out below. These accounting policies have been consistently applied.

There were no new or revised accounting standards adopted in the year which had a significant impact on the financial position or performance of the company.

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

| Standards not yet effective for the financial statements for the year ended 31 December 2015                                                                                                                   | Effective for annual periods beginning on or after |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|
| <ul style="list-style-type: none"><li>• Amendments to IAS 1 'Presentation of Financial Statements: Disclosure Initiative'</li></ul>                                                                            | 1 January 2016                                     |
| <ul style="list-style-type: none"><li>• Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' – 'Clarification of Acceptable Methods of Depreciation and Amortisation'</li></ul> | 1 January 2016                                     |
| <ul style="list-style-type: none"><li>• Amendments to IAS 27 "Equity Method in Separate Financial Statements"</li></ul>                                                                                        | 1 January 2016                                     |
| <ul style="list-style-type: none"><li>• Annual Improvements to IFRSs (2012-2014)</li></ul>                                                                                                                     | 1 January 2016                                     |
| <ul style="list-style-type: none"><li>• Amendments to IAS 12 'Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses'</li></ul>                                                                | 1 January 2017                                     |
| <ul style="list-style-type: none"><li>• Amendments to IAS 7 'Statement of Cash Flows: Disclosure Initiative'</li></ul>                                                                                         | 1 January 2017                                     |
| <ul style="list-style-type: none"><li>• IFRS 9 'Financial Instruments'</li></ul>                                                                                                                               | 1 January 2018                                     |
| <ul style="list-style-type: none"><li>• IFRS 15 'Revenue from Contracts with Customers' (including Amendments to IFRS 15 'Effective date of IFRS 15')</li></ul>                                                | 1 January 2018                                     |
| <ul style="list-style-type: none"><li>• IFRS 16 'Leases'</li></ul>                                                                                                                                             | 1 January 2019                                     |

The Company expects that the adoption of the pronouncements listed above will not have a significant impact on the results of operations and financial position in the period of initial application.

##### New or revised standards and interpretations adopted in 2015

- Annual Improvements to IFRSs (2010-2012)
- Annual Improvements to IFRSs (2011-2013)

The amendments and new standards described above did not have a significant impact on the financial position or performance of the Company. The Company has not early adopted any other standard or amendment that has been issued, but is not yet effective.

# **Stirling Water Seafield Finance Plc**

## **Notes to the financial statements**

for the year ended 31 December 2015

### **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 2015**

The financial statements are presented in Sterling and are rounded to the nearest thousands of pounds, unless stated otherwise.

### **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**

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.

#### **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.

# Stirling Water Seafield Finance Plc

## Notes to the financial statements

for the year ended 31 December 2015

### 2 Staff Costs

The Company had no employees during the year (31 December 2014: None).

#### Directors' emoluments

The Directors are paid by, and perform services for, other companies within the VUK group (the intermediate parent undertaking for the UK based waste, water and energy service companies under the control of the ultimate parent company, Veolia Environnement S.A.). The Directors have tried to apportion their costs to the principal companies they serve within the VUK group directly in line with time and effort spent, which may in certain circumstances be apportioned purely on the basis of their attendance at board meetings. Had the Directors been charged to all the companies those Directors serve, the Company would have incurred an amount of £1k (2014: £1k) of Directors emoluments, split as follows:

|                              | 2015<br>£000's | 2014<br>£000's |
|------------------------------|----------------|----------------|
| Attendance at board meetings | 1              | 1              |
|                              | <hr/>          | <hr/>          |

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 £33k (31 December 2014: £36k).

### 3 Finance income

|                                             | 2015<br>£000 | 2014<br>£000 |
|---------------------------------------------|--------------|--------------|
| Interest receivable from group undertakings | 4,430        | 4,679        |
|                                             | <hr/>        | <hr/>        |

### 4 Finance costs

|                 | 2015<br>£000 | 2014<br>£000 |
|-----------------|--------------|--------------|
| Finance charges | 4,430        | 4,679        |
|                 | <hr/>        | <hr/>        |

### 5 Loans to Parent company

|                                                          | 2015<br>£000 | 2014<br>£000 |
|----------------------------------------------------------|--------------|--------------|
| Due within one year:<br>Loans to parent company (note 9) | 4,148        | 3,883        |
|                                                          | <hr/>        | <hr/>        |
| Due after one year:<br>Loans to parent company (note 9)  | 60,306       | 64,404       |
|                                                          | <hr/>        | <hr/>        |

# Stirling Water Seafield Finance Plc

## Notes to the financial statements

for the year ended 31 December 2015

### 6 Borrowings

|                                                                                    | 2015<br>£000 | 2014<br>£000 |
|------------------------------------------------------------------------------------|--------------|--------------|
| Bonds – guaranteed secured notes due 2026                                          | 64,404       | 68,237       |
| Borrowings are repayable as follows:                                               |              |              |
| On demand or within one year                                                       | 4,098        | 3,833        |
| In the second year                                                                 | 4,381        | 4,098        |
| In the third to fifth years inclusive                                              | 15,049       | 14,075       |
| After five years                                                                   | 40,876       | 46,231       |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | 4,098        | 3,833        |
| Amount due for settlement after 12 months                                          | 60,306       | 64,404       |

Guaranteed secured bonds with a total value of £102,900,000 (31 December 2014: £102,900,000) were issued by the Company at an interest rate of 5.822% on 26<sup>th</sup> September 1999. The bonds are secured by a floating charge over the assets and undertaking of the company. 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 £2,102,000 (31 December 2014: £2,460,000) 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 £6m variation bond issued in the year ended 31 March 2000 was cancelled in November 2015.

# Stirling Water Seafield Finance Plc

## Notes to the financial statements

for the year ended 31 December 2015

### 7 Financial instruments

#### Categories of financial instruments

All of the Company's financial assets at 31 December 2015 and 31 December 2014 are categorised as loans and receivables and measured at amortised cost.

All of the Company's financial liabilities at 31 December 2015 and 31 December 2014 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 2015 |            | 31 December 2014 |            |
|------------------------------|------------------|------------|------------------|------------|
|                              | Carrying amount  | Fair value | Carrying amount  | Fair value |
|                              | £000             | £000       | £000             | £000       |
| <b>Financial liabilities</b> |                  |            |                  |            |
| Borrowings                   | 64,404           | 79,073     | 68,237           | 81,933     |
| <b>Financial assets</b>      |                  |            |                  |            |
| Loans to parent company      | (64,454)         | (79,123)   | (68,287)         | (81,983)   |

Apart from a minor current receivable element of £50,000 which does not relate to the core financing arrangements the fair value of the loan receivable is equivalent to the fair value of the loan payable of £79,073,000 on the basis that the loan is fully unconditionally guaranteed by Stirling Water Seafield Limited.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

During the year ended 31 December 2015 and 2014 there were no transfers between level 1 and level 2 fair value measurements and no transfers into or out of level 3 fair value measurements.

Under the fair value hierarchy, the financial instrument is considered to be a Level 2 instrument. The fair value at 31 December 2015 of the borrowings and obligations under guaranteed secured bonds is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

#### 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 and interest.

# Stirling Water Seafield Finance Plc

## Notes to the financial statements

for the year ended 31 December 2015

### 7 Financial instruments (continued)

|                            | 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 2015</b> |                                                        |                            |                                         |                                          |                                 |               |
| Guaranteed secured bonds   | 6.8                                                    | 8,262                      | 8,262                                   | 24,787                                   | 49,575                          | 90,886        |
| <b>At 31 December 2014</b> |                                                        |                            |                                         |                                          |                                 |               |
| Guaranteed secured bonds   | 6.8                                                    | 8,262                      | 8,262                                   | 24,787                                   | 57,838                          | 99,149        |

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 2015</b> |                                                        |                            |                                         |                                          |                                 |               |
| Loan to parent company     | 6.8                                                    | 8,312                      | 8,262                                   | 24,787                                   | 49,575                          | 90,936        |
| <b>At 31 December 2014</b> |                                                        |                            |                                         |                                          |                                 |               |
| Loan to parent company     | 6.8                                                    | 8,312                      | 8,262                                   | 24,787                                   | 57,838                          | 99,199        |

# Stirling Water Seafield Finance Plc

## Notes to the financial statements

for the year ended 31 December 2015

### 8 Share capital

|                                       | 31 December<br>2015<br>£000 | 31 December<br>2014<br>£000 |
|---------------------------------------|-----------------------------|-----------------------------|
| <i>Allotted, called-up and unpaid</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. The entire share capital of the Company has been pledged to Prudential Trustee Company as security trustee.

### 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 2015 or the year ended 31 December 2014.

### 9 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. Consolidated financial statements are prepared by Veolia Environnement SA. 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

Transactions between related parties are made on an arm's length basis. During the year, the Company entered into the following transactions with related parties:

|                          | Interest receivable         |                             |
|--------------------------|-----------------------------|-----------------------------|
|                          | 31 December<br>2015<br>£000 | 31 December<br>2014<br>£000 |
| Immediate parent company | 4,430                       | 4,679                       |

# Stirling Water Seafield Finance Plc

## Notes to the financial statements

for the year ended 31 December 2015

### 9 Related party transactions continued

|                          | Amounts owed by     |                     |
|--------------------------|---------------------|---------------------|
|                          | 31 December<br>2015 | 31 December<br>2014 |
|                          | £000                | £000                |
| Immediate parent company | 64,454              | 68,287              |
|                          | <hr/>               | <hr/>               |

The net proceeds of the bond issues have been lent to the immediate 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.

The loan totalling £50,000 (31 December 2014: £50,000) to Stirling Water Seafield Limited, is interest free and to be paid in full by December 2016.