

Registered number: **SC190621**



STIRLING WATER SEAFIELD FINANCE PLC

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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STIRLING WATER SEAFIELD FINANCE PLC

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STIRLING WATER SEAFIELD FINANCE PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

INTRODUCTION

The Directors present the Strategic report for Stirling Water Seafield Finance plc ("the Company") for the year ended 31 December 2016.

The principal activity of the Company is to raise funds to enable other UK group companies to upgrade and operate waste water treatment facilities and provide services relating to the treatment and disposal of sewage sludge in relation to Almond Valley, Seafield and Esk catchment areas.

The Company is registered and domiciled in the United Kingdom.

The Company is part of the Veolia Group, ("The Group") which is defined as all companies under the control of the ultimate parent company, Veolia Environnement S.A, headquartered in Paris. The Company is also a member of the UK group, a division of The Group, based in the UK involved in the provision of waste, water and energy services and directly or indirectly under the ownership of Veolia UK Limited ("VUK").

BUSINESS REVIEW

The Company continued its core business activities during the year and anticipates that it will continue to do so for the foreseeable future.

Result from ordinary activities after taxation for the year ended 31 December 2016 was £nil (2015: £nil).

The Statement of Financial Position as at 31 December 2016 shows equity shareholders' funds amounting to £50k (2015: £50k).

PRINCIPAL RISKS AND UNCERTAINTIES

In common with all businesses, the Company recognises certain risk factors that are both external and internal to the Company. The Directors consider the principal risks and uncertainties to which the Company is exposed is the ability of Stirling Water Seafield Limited ("SWSL"), the Company's immediate parent entity, to meet loan re-payments as they fall due.

The following highlights some of the particular risks, but is not intended to be an extensive analysis of all risks affecting the business. Some risks may be unknown to the Company and other risks, currently regarded as immaterial, could turn out to be material. All of them have a potential to impact the Company's business adversely. The Board has approved that the Company manages the majority of these risks by utilising the resources and processes developed and operated within the UK group as whole.

Financial risks

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.

STIRLING WATER SEAFIELD FINANCE PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

Financial risks (Continued)

- **Credit risk**

The key risk affecting the Company is the ability of SWSL to meet repayments as they fall due.

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

- **Interest rate risk**

The Company is not exposed to interest rate risk as the interest rates on its guaranteed secured bonds and loans to SWSL 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 SWSL meets its obligations to the Company, liquidity risk is minimal.

- **Foreign exchange 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 pound sterling.

Other risks

Following the referendum which will result in the UK leaving the European Union, Veolia will continue to develop its business in the UK and monitor the effects of the decision in line with the Group statement released in Paris on 24 June 2016: "Veolia will of course continue its journey in the UK. That means that we will continue to invest both in terms of financial and human resources to ensure we remain competitive and innovative."

This report was approved by the board on 27 April 2017 and signed on its behalf.



R Anderson
Director

STIRLING WATER SEAFIELD FINANCE PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors present their report and the financial statements for the year ended 31 December 2016.

As permitted, certain information regarding the Company, including a review and analysis of the development and performance of the Company's business during the year and a description of the principal risks and uncertainties facing the Company are contained within the Strategic report.

RESULTS AND DIVIDENDS

The result for the year, after taxation, amounted to £nil (2015: £nil).

There were no dividends paid in the year under review (2015: £nil).

DIRECTORS

The Directors who served during the year and the period to date were:

N Paterson
S Beattie
C Garrett
K Ratcliffe (Resigned 31 March 2016)
R Anderson (Appointed 23 January 2017)

No Director has, or has had, a material interest, directly or indirectly, at any time during the year.

DIRECTORS' INDEMNITIES

The Directors are entitled to be indemnified by the Company to the extent permitted by law in respect of losses arising out of or in connection with the execution of their powers, duties and responsibilities. Veolia Environnement S.A., the Company's ultimate parent company, maintains Directors' and Officers' liability insurance for the Directors in respect of their duties as directors. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' report. Neither the indemnities nor the insurance provide cover in the event that the Director is proved to have acted fraudulently.

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.

CORPORATE GOVERNANCE

As a general guiding principle, the Company falls under the UK group 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 UK group level was kept under review through the work of the UK group Internal Controls department.

STIRLING WATER SEAFIELD FINANCE PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

INTERNAL CONTROL (Continued)

The system of internal control is designed to manage rather than eliminate risk. In pursuing these objectives, internal control can provide reasonable assurance against material misstatement or loss.

A risk and control governance framework is in place across the UK 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.

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

FUTURE DEVELOPMENTS

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

FINANCIAL INSTRUMENTS

Financial instruments give rise to foreign currency, interest rate, credit, price and liquidity risk. Information on how these risks arise is set out in the Strategic report.

The Company has no exposure to foreign exchange as all of its financial assets are in pound sterling.

The Company's borrowings and loans are all denominated in pound sterling and therefore the Company has no foreign currency exposure on its financing.

It is, and has been throughout the period under review, the Company's policy that no trading in speculative derivative financial instruments shall be undertaken.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are a Director at the time when this Directors' report is approved has confirmed that:

- so far as that Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

POST BALANCE SHEET EVENTS

There have been no significant events affecting the Company since the year end.

STIRLING WATER SEAFIELD FINANCE PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

AUDITORS

Under section 487(2) of the Companies Act 2006, Ernst & Young LLP (Statutory Auditor), will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 27 April 2017 and signed on its behalf.

A handwritten signature in black ink, appearing to be 'R Anderson', with a long, sweeping horizontal stroke extending to the right.

R Anderson

Director

STIRLING WATER SEAFIELD FINANCE PLC

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable UK law 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 satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping 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.

Each of the Directors, as at the date of this report, confirms to the best of their knowledge that:

- The financial statements, prepared in accordance with IFRS as adopted for use in the European Union, give a true and fair view of the assets, liabilities, financial position and result of the Company.
- The Strategic Report and the Directors' Report include a fair review of the development and performance and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

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 2016 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 15. 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 AUDITORS

As explained more fully in the Directors' Responsibilities Statement page 6, 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 Strategic report, Directors' 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 2016 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STIRLING WATER SEAFIELD
FINANCE PLC**

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

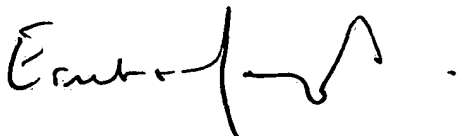
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements;

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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.



Mark Hatton (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow
27 April 2017

STIRLING WATER SEAFIELD FINANCE PLC
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £000	2015 £000
Continuing Operations			
Finance income	7	4,165	4,430
Finance costs	8	(4,165)	(4,430)
Result Before Tax From Continuing Operations		-	-
Income tax expense		-	-
Result For The Year		-	-
Other Comprehensive Income		-	-
Total Comprehensive Income For The Year Net Of Tax Attributable To The Owners Of The Company		-	-

STIRLING WATER SEAFIELD FINANCE PLC
REGISTRATION NUMBER: SC190621
STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016

	Notes	2016 £000	2015 £000
Assets			
Non-Current Assets			
Debtors	9	55,923	60,306
Current Assets			
Debtors	9	4,433	4,148
Total Assets		60,356	64,454
Liabilities			
Current liabilities			
Borrowings	10	(4,383)	(4,098)
Net Current Assets		50	50
Non-Current Liabilities			
Borrowings	10	(55,923)	(60,306)
Total Liabilities		(60,306)	(64,404)
Net Assets		50	50
Equity			
Share capital	12	50	50
Total Equity		50	50

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 April 2017.


R Anderson
Director

STIRLING WATER SEAFIELD FINANCE PLC
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED
31 DECEMBER 2016

	Share Capital £000
At 1 January 2015	50
Total comprehensive income	-
At 31 December 2015	<u>50</u>
Total comprehensive income	-
At 31 December 2016	<u>50</u>

STIRLING WATER SEAFIELD FINANCE PLC
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
31 DECEMBER 2016

	Notes	2016 £000	2015 £000
Cash flows from operating activities	13	-	-
Net cash from operating activities (i)		-	-
Cash flows from investing activities			
Interest received		4,233	4,493
Repayment of loan to immediate Parent undertaking		4,029	3,769
Net cash flow from investing activities (ii)		8,262	8,262
Cash flows from financing activities			
Interest paid		(4,233)	(4,493)
Repayment of loan from bondholders		(4,029)	(3,769)
Net cash flow from financing activities (iii)		(8,262)	(8,262)
Increase in cash and cash equivalents (ii) +(iii)		-	-
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at end of year		-	-

The notes on pages 13 – 21 form part of these financial statements.

STIRLING WATER SEAFIELD FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

ACCOUNTING POLICIES

1. GENERAL INFORMATION

Stirling Water Seafield Finance plc is a company limited by shares, incorporated in the United Kingdom.

2. ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

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 2016.

The basis of preparation and accounting policies used in preparing the financial statements for the year ended 31 December 2016 and the year ended 31 December 2015 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.

The Company's financial statements are presented in pound sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The financial statements are presented on a historical cost basis.

The Company is consolidated in the consolidated financial statements of its ultimate parent company and controlling entity, Veolia Environnement S.A. (incorporated in France). Copies of the consolidated financial statements for Veolia Environnement S.A. are available from the Registered office at 21 rue La Boétie, 75008 Paris, France.

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 2016	Effective for annual periods beginning on or after
- Amendments to IAS 12 'Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses' - Amendments to IAS 7 'Statement of Cash Flows: Disclosure Initiative' - IFRS 9 'Financial Instruments' - IFRS 15 'Revenue from Contracts with Customers' (including Amendments to IFRS 15 'Effective date of IFRS 15') - IFRS 16 'Leases'	1 January 2017 1 January 2017 1 January 2018 1 January 2018 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.

STIRLING WATER SEAFIELD FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
ACCOUNTING POLICIES (CONTINUED)

2.2 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company classifies all of its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method.

Financial liabilities

The Company classifies all of its financial liabilities as liabilities at amortised cost.

At amortised cost

Financial liabilities at amortised cost are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the balance sheet.

2.3 interest income

Interest receivable consists of income from group loans.

2.4 Borrowing costs

All borrowing costs are recognised in the statement of comprehensive income in the year in which they are incurred.

Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds.

STIRLING WATER SEAFIELD FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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.

4. STAFF COSTS

Apart from Directors who receive no remuneration, the Company had no employees during the year (31 December 2015: None).

5. DIRECTORS' REMUNERATION

The Directors are paid by, and perform services for, other companies within The Group alongside their services to this Company. In 2016, Directors' costs have been apportioned to the principal companies they serve within the UK group. Whilst not being paid by the Company, in 2016, the Directors' costs have been apportioned to the principle companies they serve within the UK group. Had the Directors' costs been recharged to all the companies those Directors serve, the Company would have incurred £27k (2015: £1k) of Directors emoluments, including £3k (2015: £Nil) of pension contributions. In 2015 an allocation was made on the basis of board meetings attended which gave an apportionment of £1k.

6. AUDITORS' REMUNERATION

The auditors' remuneration and non-audit fees have been borne by the Company's immediate parent undertaking. Total audit fees for the Stirling Water Seafield Holdings Limited group of companies amounted to £30k (31 December 2015: £33k).

STIRLING WATER SEAFIELD FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

7. FINANCE INCOME

	2016	2015
	£000	£000
Interest receivable from immediate Parent undertaking	4,165	4,430

8. FINANCE COSTS

	2016	2015
	£000	£000
Finance charges	4,165	4,430

9. DEBTORS

	Notes	2016	2015
		£000	£000
Due within one year:			
Amounts due from immediate Parent undertaking		50	50
Loans to immediate Parent undertaking	14	4,383	4,098
Due after one year:			
Loans to immediate Parent undertaking	14	55,923	60,306

The net proceeds of the bond issues have been lent to the SWSL 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
FOR THE YEAR ENDED 31 DECEMBER 2016

10. BORROWINGS

	2016	2015
	£000	£000
Bonds – guaranteed secured notes due 2026	60,306	64,404
Borrowings are repayable as follows:		
On demand or within one year	4,383	4,098
In the second year	4,685	4,381
In the third to fifth years inclusive	16,090	15,049
After five years	35,148	40,876
Less: Amount due for settlement within 12 months (shown under current liabilities)	4,383	4,098
Amount due for settlement after 12 months	55,923	60,306

Guaranteed secured bonds with a total value of £102,900k were issued by the Company at an interest rate of 5.822% on 26th 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 Assured Guaranty (London) Ltd.

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

STIRLING WATER SEAFIELD FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

11. FINANCIAL INSTRUMENTS

Categories of financial instruments

All of the Company's financial assets at 31 December 2016 and 31 December 2015 are categorised as loans and receivables and measured at amortised cost.

All of the Company's financial liabilities at 31 December 2016 and 31 December 2015 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 2016		31 December 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial liabilities				
Borrowings	60,306	77,993	64,404	79,073
Financial assets				
Loans to immediate Parent undertaking	(60,356)	(78,043)	(64,454)	(79,123)

Apart from a minor current receivable element of £50k 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 £77,993k on the basis that the loan is fully unconditionally guaranteed by the immediate Parent undertaking.

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 2016 and 2015 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 2016 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 2016

11. FINANCIAL INSTRUMENTS (CONTINUED)

	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 2016						
Guaranteed secured bonds	6.8	<u>8,262</u>	<u>8,262</u>	<u>24,787</u>	<u>41,312</u>	<u>82,623</u>
At 31 December 2015						
Guaranteed secured bonds	6.8	<u>8,262</u>	<u>8,262</u>	<u>24,787</u>	<u>49,575</u>	<u>90,886</u>

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 2016						
Immediate Parent undertaking	6.8	<u>8,312</u>	<u>8,262</u>	<u>24,787</u>	<u>41,312</u>	<u>82,673</u>
At 31 December 2015						
Immediate Parent undertaking	6.8	<u>8,312</u>	<u>8,262</u>	<u>24,787</u>	<u>49,575</u>	<u>90,936</u>

STIRLING WATER SEAFIELD FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

12. SHARE CAPITAL

	2016	2015
	£000	£000
<i>Allotted, called-up and fully paid</i>		
50,000 ordinary shares of £1 each	50	50

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 2016 or the year ended 31 December 2015.

13. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of result to net cash (outflow)/inflow from operating activities

	2016	2015
	£000	£000
Result for year	-	-
Interest Receivable	(4,165)	(4,430)
Interest Payable	4,165	4,430
<i>Net cash (outflow)/inflow from operating activities</i>	-	-

STIRLING WATER SEAFIELD FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

14. RELATED PARTY TRANSACTIONS

During the year the Company entered into transactions, in the ordinary course of business, with related parties. Transactions between related parties are made on an arm's length basis: Transactions entered into and trading balances outstanding at 31 December with related parties, are as follows:

Trading transactions

	2016	2015
	£000	£000
Interest receivable from immediate Parent undertaking	4,165	4,430

	2016	2015
	£000	£000
Debtor due from immediate Parent undertaking	50	50

	Within one year £000	Due between one and five years £000	Due after five years £000	Total £000
Loans to immediate Parent undertaking				
As at 31 December 2016	4,383	20,775	35,148	60,306
As at 31 December 2015	4,098	20,775	39,531	64,404

15. IMMEDIATE PARENT AND CONTROLLING PARTY

The immediate parent Company is Stirling Water Seafield Limited, a company incorporated in the UK.

The ultimate parent company and controlling company is Veolia Environnement S.A., a company incorporated in France. Consolidated financial statements are prepared by Veolia Environnement S.A. Copies of the consolidated financial statements for Veolia Environnement S.A. are available from the Registered office at 21 rue La Boétie, 75008 Paris, France.

Veolia Environnement S.A. is the smallest and largest group for which group financial statements, including Stirling Water Seafield Finance plc, are currently prepared.