

Registered number: SC190621

STIRLING WATER SEAFIELD FINANCE PLC

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017



TUESDAY



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COMPANIES HOUSE

STIRLING WATER SEAFIELD FINANCE PLC

COMPANY INFORMATION

DIRECTORS

John Patrick Abraham
Richard John Anderson
Susan Beattie
Caroline Garrett
Nigel John Paterson

COMPANY SECRETARY

Caroline Garrett

REGISTRATION NUMBER

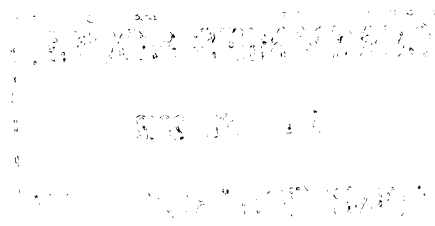
SC190621

REGISTERED OFFICE

13 Queens Road
Aberdeen
AB15 4YL

INDEPENDENT AUDITOR

Ernst & Young LLP
144 Morrison Street
Edinburgh
EH3 8EX



STIRLING WATER SEAFIELD FINANCE PLC

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STIRLING WATER SEAFIELD FINANCE PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

INTRODUCTION

The Directors present the Strategic report for Stirling Water Seafield Finance Plc ("the Company") for the year ended 31 December 2017.

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 2017 was £nil (2016: £nil).

The Statement of Financial Position as at 31 December 2017 shows equity shareholders' funds amounting to £50k (2016: £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 2017

Financial risks (Continued)

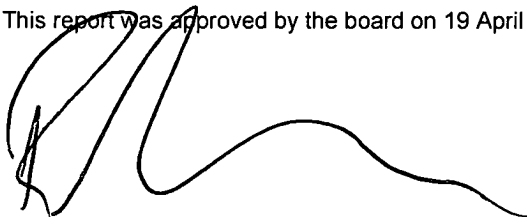
- **Credit risk**
The key risk affecting the Company is the ability of SWSL to meet repayments as they fall due.
The Company manages its credit risk by assessing SWSL's budgeted cash flows and long term forecasts, related assumptions and available debt facilities.
- **Interest rate risk**
The Company 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".

Further to the agreement in principle reached by the UK government and the European Union on 8 December 2017 on the protection of rights of EU citizens in the UK and UK citizens in the European Union the UK group issued a "Brexit frequently asked questions" booklet to all employees on 9 February 2018 which stated "The global Veolia group sees the UK as a major growth area and will continue to invest in people and the business to remain competitive and innovative."

This report was approved by the board on 19 April 2018 and signed on its behalf.



Richard John Anderson
Director

STIRLING WATER SEAFIELD FINANCE PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors present their report and the financial statements for the year ended 31 December 2017.

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 (2016: £nil).

There were no dividends paid in the year under review (2016: £nil).

DIRECTORS

The Directors who served during the year and up to the date of the report were:

John Patrick Abraham (Appointed 2 February 2018)
Richard John Anderson
Susan Beattie
Caroline Garrett
Nigel John Paterson

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 was in place throughout the period and 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 immediate Parent company's budgeted cash flows, long term forecasts related assumptions and available debt facilities. SWSL's forecasts need to be taken into account as the Company's ability to make repayments in respect of the bonds issued is solely dependent on SWSL's ability to make repayments to the Company on the associated loan. 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 2017

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

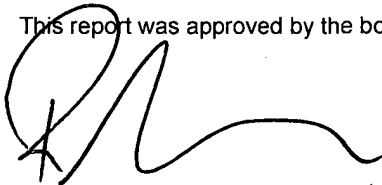
DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

AUDITORS

The auditor, Ernst & Young LLP (Statutory Auditor), will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

This report was approved by the board on 19 April 2018 and signed on its behalf.

A handwritten signature in black ink, appearing to be 'RJA', with a long horizontal flourish extending to the right.

Richard John Anderson

Director

STIRLING WATER SEAFIELD FINANCE PLC

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

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 International Financial Reporting 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

Opinion

We have audited the financial statements of Stirling Water Seafield Finance Plc for the year ended 31 December 2017 which comprise Statement of the 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, including a summary of significant accounting policies. 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.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

Key audit matters	• Assessing the entity's ability to meet its financial obligations for a period of at least 12 months from authorisation of financial statements and sources of funds available.
Materiality	• Overall materiality of £279,875 which represents 0.5% of total assets.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Management
Assessing the entity's ability to meet its financial obligations for a period of at least 12 months from authorisation of financial statements and sources of funds available The Company has £4.7m of listed bonds (see note 10) that are repayable within 12 months of the balance sheet date, has net assets of £50k and has made neither a profit or loss for the year. The ability of the Company to meet its obligations is dependent on the recovery of an intercompany receivable balance from its immediate parent entity, Stirling Water Seafield Limited. As the parent entity has net liabilities a risk, in relation to the Company's ability to meet its financial obligations, exists.	We evaluated management's assessment of the Company's ability to continue as a going concern. This involved an assessment of the ability of the parent entity to provide the financial support necessary to settle the trade receivables payable to the Company. We evaluated future cash flow forecasts for the entity for a period of 12 months from the date of signing of the accounts, the process by which they were prepared, and assessed the underlying key assumptions such as expected cash inflow from sales and expected cash outflow from operating expenses of the parent entity. Additionally, we assessed the adequacy of the disclosures with respect to the going concern assertion in the financial statements.	Based on the procedures performed we agree with management's assessment that the Company is a going concern and appropriate disclosure has been included in note one of the financial statements.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Changes from the prior year

There have been no changes in our audit approach from the prior year.

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

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the company to be £279,875 (2016: £301,782), which is 0.5% (2016: 0.5%) of total assets. We believe that total assets provides us with an appropriate threshold for determining misstatements of importance to the users of the financial statements.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 75% (2016: 75%) of our planning materiality, namely £209,906 (2016: £226,336). We have set performance materiality at this percentage due to an expectation of misstatements of less than 25% of materiality.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We set our reporting threshold at £13,993 (2016 £15,089), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Strategic report and Directors' reports set out on pages 1-5, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

Opinions 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; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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 to be audited 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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

**Explanation as to what extent the audit was considered capable of detecting irregularities,
including fraud**

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are IFRS, Companies Act 2006 and Income Tax Act 2007.
- We understood how Stirling Water Seafield Finance Plc is complying with those frameworks by considering the potential for override of controls or other influence over the financial reporting process and the culture of honesty and ethical behaviour which may reduce opportunities for fraud to take place.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur but due to the limited transactions within the entity we concluded there was limited opportunity for this to occur.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. We test 100% of the balances within the financial statements and were confident we could identify any such non-compliance.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the company on 31 March 2009 to audit the financial statements for the year ending 31 March 2009 and subsequent financial periods.
The period of total uninterrupted engagement including previous renewals and reappointments is 10 years, covering the years ending 31 March 2009 to 31 December 2017 (the financial period changed in 2012 with the addition of a 9 month period to 31 December 2012).
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting the audit.



Paul Copland (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh
23 April 2018

STIRLING WATER SEAFIELD FINANCE PLC
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £000	2016 £000
Continuing Operations			
Finance income	7	3,881	4,165
Finance costs	8	(3,881)	(4,165)
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 2017

	Notes	2017 £000	2016 £000
Assets			
Non-Current Assets			
Debtors	9	51,240	55,923
Current Assets			
Debtors	9	4,735	4,433
Total Assets		55,975	60,356
Liabilities			
Current liabilities			
Borrowings	10	(4,685)	(4,383)
Net Current Assets		50	50
Non-Current Liabilities			
Borrowings	10	(51,240)	(55,923)
Total Liabilities		(55,925)	(60,306)
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 19 April 2018.



Richard John Anderson
Director

STIRLING WATER SEAFIELD FINANCE PLC
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED
31 DECEMBER 2017

	Share Capital £000
At 1 January 2016	50
Total comprehensive income	-
At 31 December 2016	50
Total comprehensive income	-
At 31 December 2017	50

STIRLING WATER SEAFIELD FINANCE PLC
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
31 DECEMBER 2017

	Notes	2017 £000	2016 £000
Cash flows from operating activities	13	-	-
Net cash from operating activities (i)		-	-
Cash flows from investing activities			
Interest received		3,954	4,233
Repayments received on loan to immediate Parent undertaking		4,308	4,029
Net cash flow from investing activities (ii)		8,262	8,262
Cash flows from financing activities			
Interest paid		(3,954)	(4,233)
Repayment made on loan from bondholders		(4,308)	(4,029)
Net cash flow from financing activities (iii)		(8,262)	(8,262)
Increase in cash and cash equivalents (i)+(ii) +(iii)		-	-
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at end of year		-	-

The notes on pages 16 – 24 form part of these financial statements.

STIRLING WATER SEAFIELD FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

ACCOUNTING POLICIES

1. GENERAL INFORMATION

Stirling Water Seafield Finance Plc is a company limited by shares, incorporated in the Scotland.

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 2017.

The basis of preparation and accounting policies used in preparing the financial statements for the year ended 31 December 2017 and the year ended 31 December 2016 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 2017	Effective for annual periods beginning on or after
--	--

- | | |
|----------------------------------|----------------|
| • IFRS 9 'Financial Instruments' | 1 January 2018 |
|----------------------------------|----------------|

The Company is currently reviewing the above standard but 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 2017
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 2017
ACCOUNTING POLICIES (CONTINUED)

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

The preparation of the financial statements requires management to make judgments, 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

The Company has no employees other than the Directors, who did not receive any remuneration from the Company in either year.

5. DIRECTORS' REMUNERATION

The Directors are paid by, and perform services for, other companies within The Group alongside their services to this Company. In 2017, Directors' costs have been apportioned to the principal companies they serve within the UK group. Whilst not being paid by the Company, in 2017, the Directors' costs have been apportioned to the principle companies they serve within the UK group. Had all the Directors' costs been recharged to all the companies those Directors serve, the Company would have incurred £68k (2016: £27k) of Directors emoluments, including £5k (2016: £3k) of pension contributions to money purchase schemes.

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 £27k (31 December 2016: £30k).

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ACCOUNTING POLICIES (CONTINUED)

7. FINANCE INCOME

	2017	2016
	£000	£000
Interest receivable from immediate Parent undertaking	3,881	4,165

8. FINANCE COSTS

	2017	2016
	£000	£000
Finance charges	3,881	4,165

9. DEBTORS

	Notes	2017	2016
		£000	£000
Due within one year:			
Amounts due from immediate Parent undertaking		50	50
Loans to immediate Parent undertaking	14	4,685	4,383
Due after one year:			
Loans to immediate Parent undertaking	14	51,240	55,923

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

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NOTES TO THE FINANCIAL STATEMENTS
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ACCOUNTING POLICIES (CONTINUED)

10. BORROWINGS

	2017	2016
	£000	£000
Bonds – guaranteed secured notes due 2026	55,925	60,306
Borrowings are repayable as follows:		
On demand or within one year	4,685	4,383
In the second year	5,009	4,685
In the third to fifth years inclusive	17,204	16,090
After five years	29,027	35,148
Less: Amount due for settlement within 12 months (shown under current liabilities)	4,685	4,383
Amount due for settlement after 12 months	51,240	55,923

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
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ACCOUNTING POLICIES (CONTINUED)

11. FINANCIAL INSTRUMENTS

Categories of financial instruments

All of the Company's financial assets at 31 December 2017 and 31 December 2016 are categorised as loans and receivables and measured at amortised cost.

All of the Company's financial liabilities at 31 December 2017 and 31 December 2016 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 2017		31 December 2016	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities				
Borrowings	55,925	68,083	60,306	77,993
Financial assets				
Loans to immediate Parent undertaking	(55,975)	(68,133)	(60,356)	(78,043)

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 £68,083k.

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 2017 and 2016 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 2017 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.

STIRLING WATER SEAFIELD FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS
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ACCOUNTING POLICIES (CONTINUED)

11. FINANCIAL INSTRUMENTS (CONTINUED)

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.

	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 2017						
Guaranteed secured bonds	6.8	8,262	8,262	24,787	33,050	74,361
At 31 December 2016						
Guaranteed secured bonds	6.8	8,262	8,262	24,787	41,312	82,623

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 2017						
Immediate Parent undertaking	6.8	8,312	8,262	24,787	33,050	74,411
At 31 December 2016						
Immediate Parent undertaking	6.8	8,312	8,262	24,787	41,312	82,673

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ACCOUNTING POLICIES (CONTINUED)

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 2017 or the year ended 31 December 2016.

12. SHARE CAPITAL

	2017	2016
	£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.

13. NOTES TO THE STATEMENT OF CASH FLOWS

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

	2017	2016
	£000	£000
Result for the year	-	-
Interest Receivable	(3,881)	(4,165)
Interest Payable	3,881	4,165
Net cash (outflow)/inflow from operating activities	-	-

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NOTES TO THE FINANCIAL STATEMENTS
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ACCOUNTING POLICIES (CONTINUED)

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

	2017	2016
	£000	£000
Interest receivable from immediate Parent undertaking	3,881	4,165

	2017	2016
	£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 2017	4,685	22,213	29,027	55,925
As at 31 December 2016	4,383	20,775	35,148	60,306

15. IMMEDIATE PARENT AND CONTROLLING PARTY

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

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 prepared.