

Registered number: **SC190621**

STIRLING WATER SEAFIELD FINANCE PLC
STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020



COMPANY INFORMATION

DIRECTORS

John Patrick Abraham
Caroline Garrett
Tracy Jayne Knipe
Mark Andrew Wilson

COMPANY SECRETARY

Elaine Margaret Aitken

REGISTRATION NUMBER

SC190621

REGISTERED OFFICE

13 Queens Road
Aberdeen
Scotland
AB15 4YL

INDEPENDENT AUDITOR

MHA MacIntyre Hudson
2 London Wall Place
Barbican
London
EC2Y 5AU

CONTENTS

	PAGE
Strategic report	1 - 3
Directors' report	4 - 6
Directors' responsibilities statement	7
Independent auditor's report	8 - 13
Statement of Comprehensive Income	14
Statement of Financial Position	15
Statement of Changes in Equity	16
Statement of Cash Flows	17
Notes to the financial statements	18 - 28

STIRLING WATER SEAFIELD FINANCE PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

INTRODUCTION

The Directors present their Strategic report for the year ended 31 December 2020.

The principal activity of Stirling Water Seafield Finance Plc (the "Company") is to raise funds to enable other UK&I 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 the Almond Valley, Seafield and Esk ("AVSE") 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&I group", a division of the Group, based in the UK and Ireland and 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 2020 was £nil (2019: £nil).

The Statement of Financial Position as at 31 December 2020 shows equity shareholders' funds amounting to £50k (2019: £50k).

SECTION 172 (1)

The Directors have ensured compliance with their duties under s.172(1) in relation to the Company and its various stakeholders, including its indirect workforce, main customer and suppliers, local community, credit providers, bond holders and relevant regulatory authorities. As a wholly-owned subsidiary of the Group (and within that, the UK&I group), the Company has a sole member. Engagement with all of the Company's stakeholders has informed the way in which the Directors have discharged their duties and addressed the principal risks and uncertainties as detailed below. Where individual Directors are not directly involved in the processes described below, regular feedback and discussions are held with the relevant management teams, including UK&I Executive Committee meetings and operational review meetings. There were no matters brought to the attention of the Directors through the undertaken engagement that were considered to be of strategic importance, other than relating to those matters detailed in the principal decisions section below.

The main purpose of the Company is to raise funds to support the upgrade and operation of wastewater treatment facilities and associated treatment and disposal of sewage sludge in the AVSE catchment areas, for the Company's Group fellow subsidiary, Stirling Water Seafield Limited's ("SWSL") main customer, Scottish Water, and indirectly, therefore, the local community. These services are provided by the Operator of the contract, Veolia Water Outsourcing Limited, who is a Group fellow subsidiary, and has regular engagement with the Company's main customer, including through meetings and provision of financial and operational reports.

There is also regular communication with the Company and SWSL's credit providers and their technical advisers on all areas of the contract including safety, contract performance against targets, compliance, asset maintenance, site audit results, forecast cash flows and financial ratios. Meetings are also held with the bond rating agency who annually provide a credit opinion on the bond.

STIRLING WATER SEAFIELD FINANCE PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

SECTION 172 (1) CONTINUED

It should be noted that the Company is part of the UK&I group and as such the Directors have ensured that the strategy, values and policies of the UK&I group have been adopted. The Directors have oversight of the running of the Company, including through regular reviews of the contract performance and consideration of potential risks and opportunities.

The UK&I group has a Supply Chain Team who are responsible for sourcing goods and services and managing the associated supply chain risk across the UK&I group. The Directors recognise that the smooth running of the Company relies on adequate, good quality and timely supplies of goods and services to the Operator of the contract. Engagement with key suppliers includes due diligence by the Supply Chain Team and putting in place appropriate terms and conditions.

The Company has no direct employees, however, the Directors recognise that the Company's long-term success is predicated on the commitment of the workforce of the Operator. Through the UK&I group, the Operator provides employees with relevant training using both in-house and external providers. Health and safety of the Operator's workforce is of key importance - refer to the Health and safety, quality and environment section of the Strategic Report of the Operator for further details. Employees are given access to Company and UK&I group information and updates via various channels including newsletters and team meetings and engagement also takes place via employee surveys.

The UK&I group and the Company are dedicated to the circular economy and to enhancing this by working with customers, local communities and the government and promoting all aspects of environmental and wastewater management. This is achieved in part through inviting local schools and members of the local community to open days and tours of SWSL's facilities to promote the various recycling opportunities. Representatives of the Company, SWSL, and the Operator, along with the main customer and local government, are also involved in directly supporting specific initiatives and competitions themed around the 'circular economy' in both local primary and secondary schools.

On a monthly basis there is a liaison meeting involving representatives from Scottish Water, City of Edinburgh Council Environmental Health, Scottish Environment Protection Agency ("SEPA") and the UK&I group to discuss the environmental performance of the operations. A report is produced by the UK&I group and the issues discussed include energy self-sufficiency, odour, community engagement and future planned activities and development of the site. Stakeholder meetings are also held involving the above parties and representatives from a local community council, a local residents association, local councillors and Members of the Scottish Parliament/Members of Parliament to update the stakeholders on the performance of the site and to allow them to raise any questions and concerns.

As regards principal decisions during the year, no dividend was paid during the year, in accordance with the Company's contractual requirements.

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 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&I group as whole. The Board has also considered the impact of COVID-19 on each of the Company's principal risks as set out below:

STIRLING WATER SEAFIELD FINANCE PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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 of the UK&I group.

- 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.

The risk of major financial loss would occur if SWSL's main customer, Scottish Water, a large well-established and stable public sector body, failed to honour its obligations under the contract. The likelihood of this is considered low, and is considered to continue to be such in the current environment.

Given the above, the Directors consider the Company's exposure to credit risk to be acceptable.

- 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, which is predicated on SWSL meeting its obligations to the Company. This is mitigated to a large extent by the high level of predictability over contract revenues and the credit worthiness of the main customer, being a large public sector body. Therefore liquidity risk is considered to be 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

The UK left the European Union on 31 January 2020 and entered into a transitional phase which ended on 31 December 2020. The UK&I group has analysed the impact of the new trade agreements between the UK government and the European Union and are confident that there are plans and contingencies in place to avoid the business being unduly affected. As part of the UK&I group's Brexit preparations, the supply chain was geared up to hold more stock within the UK, and in any case, critical parts are kept on site to cover at least one maintenance cycle, in case of an unplanned outage. The effect on employees has also been at the forefront of the UK&I group's plans, with the UK&I group continuing to maintain both formal and informal communication with affected employees.

This report was approved by the board on 17 June 2021 and signed on its behalf.



Tracy Jayne Knipe
Director

STIRLING WATER SEAFIELD FINANCE PLC

DIRECTORS REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their report and the financial statements for the year ended 31 December 2020.

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, the Company's policies for employee and shareholder engagement 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 (2019: £nil).

There were no dividends paid in the year under review (2019: £nil).

DIRECTORS

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

John Patrick Abraham

Caroline Garrett

Tracy Jayne Knipe

Mark Andrew Wilson

Richard John Anderson (Resigned 10 March 2020)

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 is responsible for raising finance for the upgrading and operating of wastewater treatment facilities in relation to the AVSE catchment areas. The contract between the Company's immediate parent company, SWSL and Scottish Water has an end date of 28 March 2029. Funding for this project was primarily obtained through the issue of fixed rate bonds by the Company which were subsequently lent to SWSL, and with fixed rate loans with fellow UK&I group companies. The Contract is managed on a day to day basis by the Operator, on an annual fixed fee basis. The Operator also manages the Mid-term capital expenditure ("MLC") programme on behalf of SWSL and the MLC spend is agreed in advance with representatives of the Company's bond holders.

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. The Directors have reviewed the cash flow model prepared by SWSL for the life of the contract with Scottish Water. This model is updated regularly and shared with the Company and the insurer of the bonds. The model supports the Directors' opinion that over the life of the contract the cash flows will be sufficient to allow SWSL to continue to make the loan repayments. In assessing both the solvency of SWSL and the Company and the ability to meet their liabilities as they fall due over a period of 12 months from the date of approval of these financial statements, the Directors considered SWSL's budgeted cash flows, long term forecasts, availability of debt facilities and the following key assumptions, including the continued impact of COVID-19:

STIRLING WATER SEAFIELD FINANCE PLC

DIRECTORS REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

GOING CONCERN (CONTINUED)

- The variability of wastewater treatment volumes and the impact that fluctuations have on the following annual cycle's revenues. The Directors have a high level of confidence in the forecast revenues due to the maximum revenue cap having been met in most of the past 19 years of the contract.
- The customer credit concentration, with Scottish Water being the main customer. The Directors regard the credit risk to be low given that the customer is a public sector body.
- The contract with the customer includes measures such that deferral of invoice payments would be punitive. Following the ongoing outbreak of COVID-19, the Government also published policies, supporting suppliers that provide essential services, that were inconsistent with deferral of invoice payments or the levy of significant performance penalties.
- The resilience of the Operator, a Group fellow subsidiary, to continue to provide the services under the contract. The Directors consider that the Operator has undertaken appropriate measures to adjust to the changes in working arrangements following the ongoing outbreak of COVID-19 and that non-essential maintenance and capex may be deferred in order to manage potential shortages in resources.

The Company's financing is dependent upon the ability of the Company and its immediate parent to comply with a number of covenant tests required by the bond holders. The Directors have assessed compliance with the covenants based on the key assumptions above. In the event that the cash flows were to fall below those in the model's base case, the Directors are confident that SWSL would take mitigating action by deferring projects within the MLC programme.

Having taken these matters into consideration, the Directors consider that they have a reasonable basis to conclude that SWSL and therefore the Company will be able to meet their liabilities as they fall due for the foreseeable future and accordingly they continue to adopt the going concern basis of preparation in these financial statements.

CORPORATE GOVERNANCE

As a general guiding principle, the Company falls under the UK&I group which adopts 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 UK&I group wide basis. The effectiveness of the system at the UK&I group level was kept under review through the work of the UK&I group's Internal Controls department.

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&I 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.

STIRLING WATER SEAFIELD FINANCE PLC

DIRECTORS REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

INTERNAL CONTROL (CONTINUED)

The UK&I 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&I group has adopted a Whistleblower Protection Policy, incorporating a confidential external reporting service operated by an independent provider.

FUTURE DEVELOPMENTS

The Directors have considered the impact of the ongoing outbreak of COVID-19 and remain confident that the Company can continue with its core business activity to support the activities of UK&I 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 risk as all of its financial assets and liabilities are denominated in pound sterling and has no exposure to interest rate risk as all of its borrowings are at fixed rates of interest.

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.

POST BALANCE SHEET EVENTS

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

DISCLOSURE OF INFORMATION TO AUDITOR

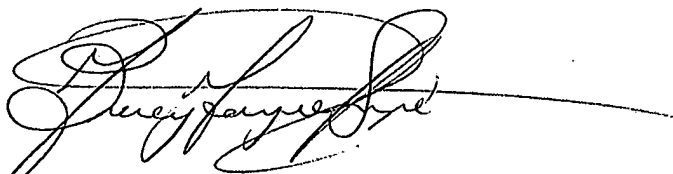
Each of the persons who are a Director at the time when this Directors' report is approved has confirmed that:

- so far as that Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the 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.

AUDITOR

MHA MacIntyre Hudson were appointed as the Company's auditor in accordance with the elective resolution passed by the Company under Part 16, Chapter 2, and section 487 of the Companies Act 2006.

This report was approved by the board on 17 June 2021 and signed on its behalf.



Tracy Jayne Knipe
Director

STIRLING WATER SEAFIELD FINANCE PLC

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

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 ("IFRSs") in conformity with the Companies Act 2006, and those parts of the Companies Act 2006 applicable to companies reporting under IFRSs. 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 year. 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;
- state whether applicable 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. The Directors 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.

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

For the purpose of this report, the terms "we" and "our" denote MHA MacIntyre Hudson in relation to UK legal, professional and regulatory responsibilities and reporting obligations to the members of Stirling Water Seafield Finance Plc. For the purposes of the table on pages 9 to 10 that sets out the key audit matters and how our audit addressed the key audit matters, the terms "we" and "our" refer to MHA MacIntyre Hudson and/or our component teams. The relevant legislation governing the Company is the United Kingdom Companies Act 2006 ("Companies Act 2006").

Opinion

We have audited the financial statements of Stirling Water Seafield Finance Plc.

The financial statements that we have audited comprise:

- Statement of Financial Position as at 31 December 2020.
- Statement of Comprehensive Income for the year then ended.
- Statement of Changes in Equity for the year then ended.
- Statement of Cash Flows for the year then ended.
- Notes 1 to 16 of the financial statements, including the 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 state of the Company's affairs as at 31 December 2020 and the Company's result for the year then ended.
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union (IFRS as adopted by the EU); and
- have been prepared in accordance with the requirements of the Companies Act 2006 including those applicable to companies reporting under international accounting standards.

Our opinion is consistent with our reporting to the Audit Committee.

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.

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 entities, and we have fulfilled our ethical responsibilities in accordance with those requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STIRLING WATER SEAFIELD FINANCE PLC (CONTINUED)

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- The consideration of inherent risks to the company's operations and specifically its business model.
- The evaluation of how those risks might impact on the company's available financial resources.
- Where additional resources may be required the reasonableness and practicality of the assumptions made by the Directors when assessing the probability and likelihood of those resources becoming available.
- Liquidity considerations including examination of cash flow projections.
- Solvency considerations including examination of budgets and forecasts and their basis of preparation.
- Viability assessment including consideration of reserve levels and business plans.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview of our audit approach

Materiality	2020	2019	
Overall	£204,500	£231,000	0.5% of total assets
Performance	£143,150	£173,250	
Trivial	£10,225	£11,550	Threshold for reporting to those charged with governance

Key Audit Matters

- Valuation of intercompany balances, including future cash flows

First year transition	We developed a detailed audit transition plan, designed to deliver an effective transition from the Company's predecessor auditor, Ernst & Young LLP ("EY"). Our audit planning and transition commenced in April 2021, following our appointment. Our transition activities included (but were not limited to) meeting relevant partners and senior staff from EY, reviewing the audit committee meeting minutes, and reviewing EY's 2019 audit work papers. Our transition focused on obtaining an understanding of the Company's system of internal control, evaluating the Company's accounting policies and areas of accounting judgement, and meeting with management.
------------------------------	--

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, 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 matters 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 and, as required for public interest entities, our results from those procedures. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STIRLING WATER SEAFIELD FINANCE PLC (CONTINUED)

Valuation of intercompany balances, including future cash flows

Key audit matter description	There is a risk that the intercompany balances receivable are not recoverable and will not generate future cash flows that will allow for the servicing of the external debt.
How the scope of our audit responded to the key audit matter	We have obtained loan agreements for the main intercompany balances. We have obtained counterparty confirmation of the balance at the year end and considered the balance post year end. We have reviewed the nature of the balances and past history of recoverability. We have obtained a going concern assessment for the counterparty to the balance and reviewed management's assumptions and conclusions.
Key Observations	The nature of the balance is back to back lending from the external bond. The balances are aligned to the external bond. There have been no issues historically in servicing the external bond through cash flows on this borrowing. There is an agreement in place providing sufficient interest income and cash flows to service the external debt. The going concern assessment for the wider group has not highlighted any issues.

Our application of materiality

Our definition of materiality considers the value of error or omission on the financial statements that, individually or in aggregate, would change or influence the economic decision of a reasonably knowledgeable user of those financial statements. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole. Materiality is used in planning the scope of our work, executing that work and evaluating the results.

Materiality in respect of the Company was set at £204,500 which was determined on the basis of 0.5% of total assets. Total assets was chosen as the appropriate benchmark as the Company is reliant on these assets to service the external finance and as such satisfy its primary function. Performance materiality is the application of materiality at the individual account or balance level, set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Performance materiality for the Company was set at £143,150 (2019: £173,250) which represents 70% (2019: 75%) of the above materiality levels.

The determination of performance materiality reflects our assessment of the risk of undetected errors existing, the nature of the systems and controls and the level of misstatements arising in previous audits.

We agreed to report any corrected or uncorrected adjustments exceeding £10,225 to the audit committee as well as differences below this threshold that in our view warranted reporting on qualitative grounds.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STIRLING WATER SEAFIELD FINANCE PLC (CONTINUED)

Reporting on other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. Our opinion of the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

Strategic report and Director's report

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 the Directors' report have been prepared in accordance with applicable legal requirements.

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 the Directors' report.

Director's remuneration report

Those aspects of the director's remuneration report which are required to be audited have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 by 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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, 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 Group's and the parent 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STIRLING WATER SEAFIELD FINANCE PLC (CONTINUED)

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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

- Obtaining an understanding of the legal and regulatory frameworks that the company operates in, focusing on those laws and regulations that had a direct effect on the financial statements. The key laws and regulations we considered in this context included, the Companies Act 2006, the Financial Services and Markets Act 2000 and applicable tax legislation. In addition, we considered compliance with the UK Bribery Act and employee legislation, as fundamental to the Company's operations.
- Enquiry of management to identify any instances of non-compliance with laws and regulations.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
- Enquiry of management around actual and potential litigation and claims.
- Enquiry of management to identify any instances of known or suspected instances of fraud.
- Discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.
- Reviewing minutes of meetings of those charged with governance.
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias; and
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular with respect to provisions for claims incurred but not reported.

A further description of our responsibilities for the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities . This description forms part of our auditor's report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STIRLING WATER SEAFIELD FINANCE PLC (CONTINUED)

Other requirements

We were appointed by the Directors on 12 May 2021. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 1 year.

We did not provide any non-audit services which are prohibited by the FRC's Ethical Standard to the company and we remain independent of the company in conducting our audit.

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.

A handwritten signature in black ink, reading "MHA MacIntyre Hudson".

Andrew Moyser FCA FCCA

(Senior Statutory Auditor)

for and on behalf of MHA MacIntyre Hudson

Chartered Accountants and Statutory Auditor

London

23 June 2021

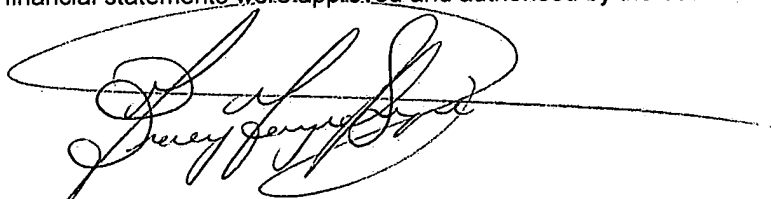
STIRLING WATER SEAFIELD FINANCE PLC
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £000	2019 £000
Continuing Operations			
Finance income	7	2,907	3,254
Finance costs	8	(2,907)	(3,254)
Result Before Tax From Continuing Operations		-	-
Income tax expense		-	-
Result For The Year		-	-
Other Comprehensive Income		-	-
Total Comprehensive Income For The Year		-	-

STIRLING WATER SEAFIELD FINANCE PLC
REGISTRATION NUMBER: SC190621
STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2020

	Notes	2020 £000	2019 £000
Non-Current Assets			
Debtors: amounts falling due after more than one year	9	<u>35,150</u>	<u>40,876</u>
Current Assets			
Debtors: amounts falling due within one year	9	<u>5,776</u>	<u>5,405</u>
Total Assets		<u>40,926</u>	<u>46,281</u>
Current Liabilities			
Borrowings: amounts falling due within one year	10	<u>(5,726)</u>	<u>(5,355)</u>
Net Current Assets		<u>50</u>	<u>50</u>
Non-Current Liabilities			
Borrowings: amounts falling due after more than one year	10	<u>(35,150)</u>	<u>(40,876)</u>
Total Liabilities		<u>(40,876)</u>	<u>(46,231)</u>
Net Assets		<u>50</u>	<u>50</u>
Equity			
Share capital	12	<u>50</u>	<u>50</u>
Total Equity		<u>50</u>	<u>50</u>

The financial statements were approved and authorised by the board on 17 June 2021 and signed on its behalf.



Tracy Jayne Knipe
Director

STIRLING WATER SEAFIELD FINANCE PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share Capital £000
At 1 January 2019	50
Total comprehensive income	-
At 31 December 2019	50
Total comprehensive income	-
At 31 December 2020	50

STIRLING WATER SEAFIELD FINANCE PLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £000	2019 £000
Cash flows from operating activities	13	-	-
Net cash from operating activities (i)		-	-
Cash flows from investing activities			
Interest received		2,996	3,337
Repayments received on loan to immediate parent undertaking		5,266	4,925
Net cash flow from investing activities (ii)		8,262	8,262
Cash flows from financing activities			
Interest paid		(2,996)	(3,337)
Repayment made on loan from bond holders		(5,266)	(4,925)
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 1 January		-	-
Cash and cash equivalents at 31 December		-	-

The notes on pages 18 – 28 form part of these financial statements.

STIRLING WATER SEAFIELD FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL INFORMATION

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

2. ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention in accordance with International Financial Reporting Standards ("IFRSs") in conformity with the Companies Act 2006, and those parts of the Company Act 2006 applicable to companies reporting under IFRSs.

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 preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

2.2 Going concern

The Company is responsible for raising finance for the upgrading and operating of wastewater treatment facilities in relation to the AVSE catchment areas. The contract between the Company's immediate parent company, SWSL and Scottish Water has an end date of 28 March 2029. Funding for this project was primarily obtained through the issue of fixed rate bonds by the Company which were subsequently lent to SWSL, and with fixed rate loans with fellow UK&I group companies. The Contract is managed on a day to day basis by the Operator, on an annual fixed fee basis. The Operator also manages the MLC programme on behalf of SWSL and the MLC spend is agreed in advance with representatives of the Company's bond holders.

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. The Directors have reviewed the cash flow model prepared by SWSL for the life of the contract with Scottish Water. This model is updated regularly and shared with the Company and the insurer of the bonds. The model supports the Directors' opinion that over the life of the contract the cash flows will be sufficient to allow SWSL to continue to make the loan repayments. In assessing both the solvency of SWSL and the Company and the ability to meet their liabilities as they fall due over a period of 12 months from the date of approval of these financial statements, the Directors considered SWSL's budgeted cash flows, long term forecasts, availability of debt facilities and the following key assumptions, including the continued impact of COVID-19:

- The variability of wastewater treatment volumes and the impact that fluctuations have on the following annual cycle's revenues. The Directors have a high level of confidence in the forecast revenues due to the maximum revenue cap having been met in most of the past 19 years of the contract.
- The customer credit concentration, with Scottish Water being the main customer. The Directors regard the credit risk to be low given that the customer is a public sector body.
- The contract with the customer includes measures such that deferral of invoice payments would be punitive. Following the ongoing outbreak of COVID-19, the Government also published policies, supporting suppliers that provide essential services, that were inconsistent with deferral of invoice payments or the levy of significant performance penalties.
- The resilience of the Operator, a Group fellow subsidiary, to continue to provide the services under the contract. The Directors consider that the Operator has undertaken appropriate measures to adjust to the changes in working arrangements following the ongoing outbreak of COVID-19 and that non-essential maintenance and capex may be deferred in order to manage potential shortages in resources.

STIRLING WATER SEAFIELD FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. ACCOUNTING POLICIES (CONTINUED)

2.2 Going concern (continued)

The Company's financing is dependent upon the ability of the Company and its immediate parent to comply with a number of covenant tests required by the bond holders. The Directors have assessed compliance with the covenants based on the key assumptions above. In the event that the cash flows were to fall below those in the model's base case, the Directors are confident that SWSL would take mitigating action by deferring projects within the MLC programme.

Having taken these matters into consideration, the Directors consider that they have a reasonable basis to conclude that SWSL and therefore the Company will be able to meet their liabilities as they fall due for the foreseeable future and accordingly they continue to adopt the going concern basis of preparation in these financial statements.

2.3 Ultimate controlling party

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 of Veolia Environnement S.A. can be obtained from the registered office at 21 rue La Boétie. 75008 Paris, France.

2.4 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are derecognised when they are discharged or when the contractual terms expire. Financial assets and liabilities are initially measured at fair value. Loans receivable or payable on demand are classed as short-term and hence are not discounted.

The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company recognises its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

Fair value through profit or loss

This category comprises only in-the-money derivatives. These are carried in the Statement of Financial Position at fair value with changes in fair value recognised in the Statement of Comprehensive Income.

Financial liabilities are classified as held for trading if they are issued principally for the purpose of repurchasing in the near term, or form part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking, or are derivatives, including separately embedded derivatives unless they are financial guarantee contracts or are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss.

STIRLING WATER SEAFIELD FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Financial instruments (continued)

Impairment of financial assets

The Company recognises an allowance for expected credit losses ("ECLs") for all financial assets subsequently measured at amortised cost. The Company calculates ECLs by applying a provision matrix that takes into account the expected life of trade debtors and default rates for different customers. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. ECLs are recognised in two stages:

- for credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL);
- for those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire or when it transfers the contractual rights to the cash flows from the financial asset in a transaction under which nearly all the rights and obligations inherent to ownership of the financial asset are transferred. Any interest created or retained by the Company in a financial asset is recognised separately as an asset or liability.

Financial liabilities

The Company classifies its financial liabilities into one of the categories discussed below, depending on the purpose for which the liability was acquired.

At amortised cost

Financial liabilities at amortised cost including bank borrowings and bonds 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 Statement of Financial Position.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are issued principally for the purpose of repurchasing in the near term, or form part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking, or are derivatives, including separately embedded derivatives unless they are financial guarantee contracts or are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

At the Balance Sheet date the Company had no liabilities at fair value through profit or loss.

Derecognition of financial liabilities

A liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

STIRLING WATER SEAFIELD FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Finance income

Interest receivable consists of income from Group undertakings.

2.6 Finance 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.

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.

Estimates

The following assumptions involving estimates have had the most significant effect on amounts recognised in the financial statements:

- **Impairment of intercompany loans**

The financial statements include loans to the immediate parent company, and these have been reviewed for indicators of impairment. Where impairment reviews are required, assumptions have been made, largely around the timing and scale of their future cash flows.

4. STAFF COSTS

The Company has no employees other than the Directors (see note 5).

5. DIRECTORS' REMUNERATION

The Directors are paid by, and perform services for, other companies within the Group alongside their services to this Company. Whilst not being paid by the Company, in 2020, the Directors' costs have been apportioned to the principal companies they serve within the UK&I group. Had the Directors' costs been recharged to all the companies those Directors serve, the Company would have incurred £52k (2019: £66k) of Directors emoluments, including £3k (2019: £5k) of pension contributions.

6. AUDITOR'S REMUNERATION

The auditor's remuneration has been borne by the Company's immediate parent undertaking. Total audit fees for the Company amounted to £17,500 in 2020. The 2019 audit fees were charged by the predecessor auditor and amounted to £21,000 for Stirling Water Seafield Holdings Limited ("SWSHL") and its subsidiaries.

There were no non-audit fees charged in the current or prior period.

STIRLING WATER SEAFIELD FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

7. FINANCE INCOME

	2020	2019
	£000	£000
Interest receivable from immediate parent undertaking	2,907	3,254

8. FINANCE COSTS

	2020	2019
	£000	£000
Finance charges	2,907	3,254

9. DEBTORS

	Notes	2020	2019
		£000	£000
Amounts falling due within one year			
Amounts due from immediate parent undertaking	14	50	50
Loans to immediate parent undertaking	14	5,726	5,355
		5,776	5,405
Amounts falling due after more than one year			
Loans to immediate parent undertaking	14	35,150	40,876

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 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 2020

10. BORROWINGS

	2020	2019
	£000	£000
Bonds – guaranteed secured notes due 2026	40,876	46,231
Borrowings are repayable as follows:		
- On demand or within one year	5,726	5,355
- In the second year	6,122	5,726
- In the third to fifth years inclusive	21,028	19,667
- After five years	8,000	15,483
Less: Amount due for settlement within 12 months (shown under current liabilities)	(5,726)	(5,355)
Amount due for settlement after 12 months	35,150	40,876

Guaranteed secured bonds with a total value of £102,900k were issued by the Company at an interest rate of 5.822% on 26 September 1999. The bonds are secured by a floating charge over the assets and undertakings of the Company, its immediate parent SWSL and SWSL's holding company, SWSHL. The guaranteed secured bonds are guaranteed by a financial guarantee insurance policy issued by Assured Guaranty (Europe) Plc.

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 2020

11. FINANCIAL INSTRUMENTS

Categories of financial instruments

All of the Company's financial assets at 31 December 2020 and 31 December 2019 are categorised as financial assets subsequently measured at amortised cost.

All of the Company's financial liabilities at 31 December 2020 and 31 December 2019 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 2020		31 December 2019	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities				
Borrowings	40,876	47,011	46,231	53,547
Financial assets				
Loans to immediate parent undertaking	(40,926)	(47,061)	(46,281)	(53,597)

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 £47,011k (2019: £53,547k).

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 2020 and 31 December 2019, 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.

For the purpose of the above disclosures, under the fair value hierarchy, the financial instrument is considered to be a Level 2 instrument. The fair value at 31 December 2020 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
FOR THE YEAR ENDED 31 DECEMBER 2020

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	Between one and two years	Between two and five years	More than five years	
		£000	£000	£000	£000	
At 31 December 2020						
Guaranteed secured bonds	6.8	8,262	8,262	24,787	8,263	49,574
At 31 December 2019						
Guaranteed secured bonds	6.8	8,262	8,262	24,787	16,525	57,836

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	Between one and two years	Between two and five years	More than five years	
		£000	£000	£000	£000	
At 31 December 2020						
Immediate parent undertaking	6.8	8,312	8,262	24,787	8,262	49,623
At 31 December 2019						
Immediate parent undertaking	6.8	8,312	8,262	24,787	16,525	57,886

STIRLING WATER SEAFIELD FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

11. FINANCIAL INSTRUMENTS (CONTINUED)

The changes in liabilities arising from financing activities are as follows:

	At 1 January 2020	Cash flows	Accrued interest	Transfer from non- current to current	At 31 December 2020
	£000	£000	£000	£000	£000
Current interest-bearing loans and borrowings	5,355	(8,262)	-	8,633	5,726
Non-current interest-bearing loans and borrowings	40,876	-	2,907	(8,633)	35,150
Total interest-bearing loans and borrowings	46,231	(8,262)	2,907	-	40,876

	At 1 January 2019	Cash flows	Accrued interest	Transfer from non-current to current	At 31 December 2019
	£000	£000	£000	£000	£000
Current interest-bearing loans and borrowings	5,009	(8,262)	-	8,608	5,355
Non-current interest-bearing loans and borrowings	46,232	-	3,252	(8,608)	40,876
Total interest-bearing loans and borrowings	51,241	(8,262)	3,252	-	46,231

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 2020 or the year ended 31 December 2019.

STIRLING WATER SEAFIELD FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

11. FINANCIAL INSTRUMENTS (CONTINUED)

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits, debt and equity investments and derivative financial instruments.

- **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.
- **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.

The risk of major financial loss would occur if SWSL's main customer, Scottish Water, a large well-established and stable public sector body, failed to honor its obligations under the contract. The likelihood of this is considered extremely low, and is considered to continue to be such in the current environment. For this reason no provision has been made in respect of future credit losses.

12. SHARE CAPITAL

	2020	2019
	£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.

13. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of the result for the year to net cash flows from operating activities:

	2020	2019
	£000	£000
Result for the year	-	-
Interest Receivable	(2,907)	(3,254)
Interest Payable	2,907	3,254
Net cash flows from operating activities		

STIRLING WATER SEAFIELD FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020 with all related parties, are as follows:

Trading transactions

	2020	2019
	£000	£000
Interest receivable from immediate parent undertaking	2,907	3,254
	2020	2019
	£000	£000
Debtor due from immediate parent undertaking	50	50

	Due within one year £000	Due after one year and within five years £000	Due after five years £000	Total £000
Loans to Immediate Parent undertaking	£000	£000	£000	£000
As at 31 December 2020	5,726	27,150	8,000	40,876
As at 31 December 2019	5,355	25,393	15,483	46,231

15. POST BALANCE SHEET EVENTS

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

16. 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.