

Registered number: **SC190621**

STIRLING WATER SEAFIELD FINANCE PLC
STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021



COMPANY INFORMATION

DIRECTORS

John Patrick Abraham
Caroline Garrett
Tracy Jayne Knipe
Mark Andrew Wilson

COMPANY SECRETARY

Caroline Garrett

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

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STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

INTRODUCTION

The Directors present their Strategic report for the year ended 31 December 2021.

The principal activity of Stirling Water Seafeld 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, Seafeld 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 2021 was £nil (2020: £nil).

The Statement of Financial Position as at 31 December 2021 shows equity shareholders' funds amounting to £50k (2020: £50k).

SECTION 172 (1)

The Directors have ensured compliance with their duties under s.172(1) in relation to the Company and the various stakeholders. These stakeholders include 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 Directors have ensured that the strategy, values and policies of the UK&I group have been adopted by the Company, as well as Veolia's purpose which is to contribute to human progress by firmly committing to the UN Sustainable Development Goals to achieve a better and more sustainable future for all. It is with this aim in mind that Veolia sets itself the task of 'Resourcing the World' and the global vision to be the benchmark company for ecological transformation.

Aligning with Veolia's global vision, the UK&I group is committed to taking an active role in the fight against climate change. In September 2021, the UK&I group published its first Carbon Reduction Plan and Net Zero Strategy which commits to achieve Net Zero GHG emissions by 2050 at the latest.

Engagement with 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 in relevant management team and UK&I Executive Committee 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 Seafeld 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, which 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.

STIRLING WATER SEAFIELD FINANCE PLC

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

SECTION 172 (1) CONTINUED

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.

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. Employees of the Operator are given access to Company and UK&I group information and updates via various channels including the intranet, webinars, Veolia TV and team meetings and engagement with staff takes place via employee surveys. Feedback from the annual employee 'Voice of Resources' survey is disaggregated by business line and function and reviewed by the UK&I Executive Committee. Information is benchmarked internally across the UK&I group as well as externally against peer companies. Action plans to address key themes are formalised and monitored throughout the year. The Operator also engages with trade union representatives on site and via regular Joint Trade Union Forum meetings.

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 and its subsidiaries relies on adequate, good quality and timely supplies of goods and services. Engagement with key suppliers includes both due diligence by Supply Chain and putting in place appropriate terms and conditions.

The Supply Chain Team has a comprehensive business continuity plan in place. This looks to identify potential threats and their impact on the business. In addition, business continuity plans for key suppliers are reviewed to ensure that critical services are not disrupted.

Category plans ensure that the UK&I group is not dependent on single suppliers. Over 7,000 active suppliers exist in the UK&I group supplier database. The Supply Chain Team monitors the performance of key suppliers via appropriate KPIs and metrics depending on the goods and services supplied. Standard metrics include: health and safety performance, savings, continuous improvement and innovation, retrospective purchase orders and sustainability ratings. An annual due diligence of the UK&I group top 500 critical suppliers is performed to ensure that relevant insurance and operating certificates and permits are in place.

Mechanisms are in place for improving prompt payment performance. The UK&I group performs four Bacs payment runs per month to support the 'paid on time' KPI. The UK&I group payment practices and performance are available on the UK government website: <https://www.gov.uk/check-when-businesses-pay-invoices>.

Due to the nature of the Company's activities there are liaison meetings 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. Promotion of environmental and wastewater management is also achieved 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, although opportunities have been restricted over recent times due to COVID-19. 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.

STIRLING WATER SEAFIELD FINANCE PLC

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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 the identified risks have a potential to adversely impact the Company's business, revenue, profits, assets, liquidity and capital resources. 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 Company's principal risks are set out below.

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.

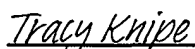
- Liquidity risk

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 in the UK and at each reporting date all financial assets and financial liabilities are denominated in pound sterling.

This report was approved by the board on 27 April 2022 and signed on its behalf.


Tracy Knipe (Apr 27, 2022 18:17 GMT+1)

Tracy Jayne Knipe
Director

Apr 27, 2022

STIRLING WATER SEAFIELD FINANCE PLC

DIRECTORS REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their report and the financial statements for the year ended 31 December 2021.

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 (2020: £nil).

There were no dividends paid in the year under review (2020: £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

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;

STIRLING WATER SEAFIELD FINANCE PLC

DIRECTORS REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

GOING CONCERN (CONTINUED)

- The variability of wastewater treatment volumes and the impact that fluctuations have on the 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 20 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.
- During outbreaks of COVID-19, the Operator, a Group fellow subsidiary, has demonstrated the ability to implement appropriate measures to working arrangements by deferring non-essential maintenance and capital expenditure 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 authorised 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 authorised 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 2021

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 future uncertainty over COVID-19 and remain confident of the ability of the Company to continue to meet its customers demands. 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

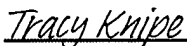
Each of the persons who are a Director at the time when this Directors' report is approved has confirmed that:

- 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

The auditor, MHA MacIntyre Hudson, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

This report was approved by the board on 27 April 2022 and signed on its behalf.


Tracy Knipe (Apr 27, 2022 18:17 GMT+1)

Tracy Jayne Knipe
Director

Apr 27, 2022

STIRLING WATER SEAFIELD FINANCE PLC

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

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 and prudent;
- 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.

The Directors are responsible for the maintenance and integrity of any corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' reports may differ from legislation in other jurisdictions.

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. 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 which comprise:

- Statement of Financial Position as at 31 December 2021.
- 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 UK adopted International Accounting Standards.

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2021 and the Company's result for the year then ended.
- the financial statements have been properly prepared in accordance with UK adopted International Accounting Standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Our opinion is consistent with our reporting to the management.

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 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.

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.
- Liquidity and solvency considerations including examination of cash flow projections of relevant group companies.
- Solvency considerations including examination of budgets and forecasts and their basis of preparation.

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.

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

Overview of our audit approach

Materiality	2021	2020	
Overall	£176,000	£204,500	0.5% of total assets
Performance	£123,200	£143,150	
Trivial	£8,800	£10,225	Threshold for reporting to those charged with governance

Key Audit Matters

Valuation of intercompany balances, including future cash flows

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

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. We have determined the matters described below to be the key audit matters to be communicated in our report.

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 has been no issues historically in servicing the external bond through cash flows on this borrowing. There is a clear 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.

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

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 £176,000 (2020: £204,500) which was determined on the basis of 0.5% of total assets (2020: 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 £123,200 (2020: £143,150) which represents 70% (2020 – 70%) 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 £8,800 to management as well as differences below this threshold that in our view warranted reporting on qualitative grounds.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

We have nothing to report in this regard.

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
- those reports have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and their environment obtained in the course of the audit, we have not identified material misstatements in:

- the Strategic Report; or
- the 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 by the Company, or returns adequate for our audit have not been received by branches not visited by us; or
- the Company's 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 set out on page 7, 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 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.

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.

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

Auditor's responsibilities for the audit of the financial statements (continued)

- 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 impairment of intercompany loans.

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.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. The engagement team includes audit partners and staff who have extensive experience of working with listed companies, and this experience was relevant to the discussion about where the risk of irregularities, including fraud may arise

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.

Other matters which we are required to address

We were appointed by the members of the company by ordinary resolution at the Annual General Meeting held on 30 June 2021 to audit the financial statements for the year ending 31 December 2021. Our total uninterrupted engagement is 2 years, covering the years ending 31 December 2020 to 31 December 2021.

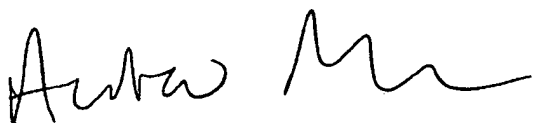
We did not provide any non-audit services which are prohibited by the FRC's Ethical Standard to the Company, and we remain independent of the company in conducting our audit.

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

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.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard (('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.



Andrew Moyser FCA FCCA
(Senior Statutory Auditor)

for and on behalf of MHA MacIntyre Hudson
Statutory Auditor
London

28 April 2022

STIRLING WATER SEAFIELD FINANCE PLC

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	2021 £000	2020 £000
Continuing Operations			
Finance income	7	2,536	2,907
Finance costs	8	(2,536)	(2,907)
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 2021

	Notes	2021	2020
		£000	£000
Non-Current Assets			
Debtors: amounts falling due after more than one year	9	29,028	35,150
Current Assets			
Debtors: amounts falling due within one year	9	6,172	5,776
Total Assets		35,200	40,926
Current Liabilities			
Borrowings: amounts falling due within one year	10	(6,122)	(5,726)
Net Current Assets		50	50
Non-Current Liabilities			
Borrowings: amounts falling due after more than one year	10	(29,028)	(35,150)
Total Liabilities		(35,150)	(40,876)
Net Assets		50	50
Equity			
Share capital	12	50	50
Total Equity		50	50

The financial statements were approved and authorised by the board on 27 April 2022 and signed on its behalf.

Tracy Knipe

Tracy Knipe (Apr 27, 2022 18:17 GMT+1)

Tracy Jayne Knipe
 Director

Apr 27, 2022

STIRLING WATER SEAFIELD FINANCE PLC
STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share Capital £000
At 1 January 2020	50
Total comprehensive income	-
At 31 December 2020	50
Total comprehensive income	-
At 31 December 2021	50

STIRLING WATER SEAFIELD FINANCE PLC
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
Cash flows from operating activities	13	-	-
Net cash from operating activities (i)		-	-
Cash flows from investing activities			
Interest received		2,631	2,996
Repayments received on loan to immediate parent undertaking		5,631	5,266
Net cash flow from investing activities (ii)		8,262	8,262
Cash flows from financing activities			
Interest paid		(2,631)	(2,996)
Repayment made on loan from bond holders		(5,631)	(5,266)
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 2021

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 judgement 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;

- The variability of wastewater treatment volumes and the impact that fluctuations have on the 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 20 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.
- During outbreaks of COVID-19, the Operator, a Group fellow subsidiary, has demonstrated the ability to implement appropriate measures in working arrangements by deferring non-essential maintenance and capital expenditure in order to manage potential shortages in resources.

STIRLING WATER SEAFIELD FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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.

STIRLING WATER SEAFIELD FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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.

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.

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.

STIRLING WATER SEAFIELD FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES (CONTINUED)

2.7 Finance income

Interest receivable consists of income from Group undertakings.

2.8 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 2021 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 £18k (2020: £52k) of Directors emoluments, including £2k (2020: £3k) 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 £15,000 (2020: £17,500).

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 2021

7. FINANCE INCOME

	2021	2020
	£000	£000
Interest receivable from immediate parent undertaking	2,536	2,907

8. FINANCE COSTS

	2021	2020
	£000	£000
Finance charges	2,536	2,907

9. DEBTORS

	Notes	2021	2020
		£000	£000
Amounts falling due within one year			
Amounts due from immediate parent undertaking	14	50	50
Loans to immediate parent undertaking	14	6,122	5,726
		6,172	5,776
Amounts falling due after more than one year			
Loans to immediate parent undertaking	14	29,028	35,150

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 2021

10. BORROWINGS

	2021	2020
	£000	£000
Bonds – guaranteed secured notes due 2026	35,150	40,876
Borrowings are repayable as follows:		
- Within one year	6,122	5,726
- In the second year	6,546	6,122
- In the third to fifth years inclusive	22,482	21,028
- After five years	-	8,000
Less: Amount due for settlement within 12 months (shown under current liabilities)	(6,122)	(5,726)
Amount due for settlement after 12 months	29,028	35,150

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 2021

11. FINANCIAL INSTRUMENTS

Categories of financial instruments

All of the Company's financial assets at 31 December 2021 and 31 December 2020 are categorised as financial assets subsequently measured at amortised cost.

All of the Company's financial liabilities at 31 December 2021 and 31 December 2020 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 and loan receivable.

	31 December 2021		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial liabilities				
Borrowings	<u>35,150</u>	<u>39,097</u>	<u>40,876</u>	<u>47,011</u>
Financial assets				
Loans to immediate parent undertaking	<u>(35,200)</u>	<u>(39,147)</u>	<u>(40,926)</u>	<u>(47,061)</u>

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 borrowings of £39,097k (2020: £47,011k).

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 2021 and 31 December 2020, 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 2021 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 2021

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 2021						
Guaranteed secured bonds	6.8	8,262	8,262	24,786	-	41,310
At 31 December 2020						
Guaranteed secured bonds	6.8	8,262	8,262	24,787	8,263	49,574

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 2021						
Immediate parent undertaking	6.8	8,312	8,262	24,786	-	41,360
At 31 December 2020						
Immediate parent undertaking	6.8	8,312	8,262	24,787	8,262	49,623

STIRLING WATER SEAFIELD FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

11. FINANCIAL INSTRUMENTS (CONTINUED)

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

	At 1 January 2021 £000	Cash flows £000	Accrued interest £000	Transfer from non-current to current £000	At 31 December 2021 £000
Current interest-bearing loans and borrowings	5,726	(8,262)	-	8,658	6,122
Non-current interest-bearing loans and borrowings	35,150	-	2,536	(8,658)	29,028
Total interest-bearing loans and borrowings	40,876	(8,262)	2,536	-	35,150

	At 1 January 2020 £000	Cash flows £000	Accrued interest £000	Transfer from non-current to current £000	At 31 December 2020 £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

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 2021 or the year ended 31 December 2020.

STIRLING WATER SEAFIELD FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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 honour 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

	2021	2020
	£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 M&G Trustee Company Limited as security.

13. NOTES TO THE STATEMENT OF CASH FLOWS

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

	2021	2020
	£000	£000
Result for the year	-	-
Interest Receivable	(2,536)	(2,907)
Interest Payable	2,536	2,907
Net cash flows from operating activities	-	-

STIRLING WATER SEAFIELD FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 with all related parties, are as follows:

Trading transactions

	2021	2020
	£000	£000
Interest receivable from immediate parent undertaking	2,536	2,907
	2021	2020
	£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				
As at 31 December 2021	6,122	29,028	-	35,150
As at 31 December 2020	5,726	27,150	8,000	40,876

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.