Registered number: 02127283

VEOLIA WATER UK LIMITED

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

VEOLIA WATER UK LIMITED

COMPANY INFORMATION

Directors	John Patrick Abraham Celia Rosalind Gough Gavin Howard Graveson Estelle Karine Brachlianoff Valérie Isabelle Marie Clavié
Company secretary	Celia Rosalind Gough
Registered number	02127283
Registered office	210 Pentonville Road London N1 9JY
Independent auditor	Ernst & Young LLP 1 Bridgewater Place Water Lane Leeds LS11 5QR

VEOLIA WATER UK LIMITED

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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 Veolia Water UK Limited (the "Company") is to act as an intermediate holding company for all subsidiaries within the Water business of the UK&I group, as defined below.

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 has continued to act as a holding company during the year, and is expected to continue to do so in the future. The Directors continue to review potential acquisitions that will strengthen the Group's presence in its current areas of activity. There were no significant acquisitions or disposals during the year.

It is Company policy not to fully recharge expenditure on general administration to its direct and indirect subsidiaries and it is expected that this policy will continue for the foreseeable future. Future cash inflows are expected to be derived from dividend income and interest received from its investments.

During 2020, the loss before taxation decreased to £6,253k *(2019: £6,759k)* resulting mainly from lower administration costs.

The Company's performance is measured in relation to the total contribution to the Group, hence the key financial performance indicators of the Company are Group centric. The key financial performance indicators as they would appear in the management review are as follows:

	2020	*2019*
	£000	*£000*
Adjusted EBITDA	**(7,275)**	*(7,842)*
Adjusted 'current' EBIT	**(7,307)**	*(7,878)*

The definitions below are standard for the Group and do not necessarily imply that the Company has incurred such costs in the year:

- Adjusted EBITDA excludes charges arising from the creation of, or increase in, provisions and credits arising from the reduction in, or release of, provisions, restructuring costs and foreign exchange differences, and where appropriate, is adjusted for movements in financial assets in respect of the unwinding of the discount on the fair value and repayment of the asset in the period;
- Adjusted 'current' EBIT excludes restructuring costs, foreign exchange differences with no adjustments being made in respect of repayments on financial assets.

The Group uses these adjusted definitions for its own internal purposes as it is felt they better represent the ongoing business performance to management by removing non-recurring items like provisions and foreign exchange which are largely dependent on one off or external factors. Refer to note 4 for a reconciliation of these key performance indicators to operating loss.

Section 172(1) Statement

The Directors have ensured compliance with their duties under s.172(1) in relation to the Company and the various stakeholders of both the Company and its subsidiaries, including their workforce, main customers and suppliers, local communities and relevant regulatory authorities. As a wholly-owned subsidiary of the Group (and within that, the UK&I group), the Company effectively has a sole member. The Company and its subsidiaries are also recipients of intra-group financing from VUK, as detailed further within the Financial risks section of the Strategic report. Engagement with all of the Company's and its subsidiaries' 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 and its subsidiaries is to provide water and wastewater management services its main customers (and indirectly therefore the local communities). The Company's subsidiaries have regular engagement with their main customers, including through meetings and provision of financial and operational reports.

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

The Directors recognise that the Company and its subsidiaries' long-term success is predicated on the commitment of the workforce of the Company's subsidiaries. Through the UK&I group, the Company's subsidiaries provide employees with relevant training using both in-house and external providers. The health and safety of the Company's subsidiaries' workforce is of key importance - refer to the Health and safety, quality and environment section of the Strategic report for further details and the Business continuity section of the Strategic report for details of the UK&I group's response to COVID-19. 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 Company's subsidiaries also engage with trade union representatives on site and via regular Joint Trade Union Forum meetings.

The UK&I group, the Company and its subsidiaries are dedicated to the circular economy and to enhancing this by working with customers, local communities and government and promoting all aspects of environmental, water and wastewater management. This is achieved in part through inviting local schools and members of the local community to open days and tours of some of the Company's subsidiaries' facilities to promote the various recycling opportunities. The Company's subsidiaries are also involved in directly supporting specific initiatives and competitions themed around the 'Circular economy' in both local primary and secondary schools in Scotland and via Young Enterprise schemes in Northern Ireland. The Company's subsidiaries also support the MOD environmental magazine "MOD Sanctuary". Please refer to the Health and safety, quality and environment section of the Strategic report for details of the Company's and its subsidiaries' engagement with regulatory authorities.

As regards principal decisions during the year, no dividend was paid during the year, after consideration of the Company's and its subsidiaries' ongoing financial position and stakeholders, including the level of distributable reserves, available cash, potential impairment risks and any ongoing contractual discussions.

Principal risks and uncertainties

In common with all businesses, the Company recognises certain risk factors that are both external and internal to the Company. The Directors consider the principal risks and uncertainties to which the Company is exposed are intrinsic to the business it operates and its ability to provide the service for which it is contracted.

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, revenue, profits, assets, liquidity and capital resources 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.

Contractual risk

The Company's business is affected by the reliability of its subsidiaries and joint ventures to pay dividends. The subsidiaries and joint ventures are predominantly contract-based; hence the business may be adversely affected by failure to perform to the level agreed within the relevant contract. The UK&I group has a structured formal project authorisation and review procedure which aims at ensuring legal, operational, technical and commercial risks are properly considered before the initial exchange of contracts, or significant contract alterations, with its clients.

In the normal course of business, risks associated with meeting the contractual terms of the contract are mitigated through the ongoing day to day management of the operations of the contract including tracking performance against budget and targets identified in the contract and monthly reviews by operational management and members of the Board. The approach across the UK&I group is that contracts that are identified as being at particular risk during these reviews are the subject of specific initiatives to improve contract performance. Larger contracts and business units are separately reviewed at a UK&I group level on a monthly basis.

A subsidiary's longer term inability to pay dividends, or decline in performance may result in an impairment of the Company's investment in that subsidiary, which will have a direct impact on the Company's results in the year and net assets going forward.

The Company's subsidiaries are working with their main customers to ensure that all required aspects of contracts can continue to be delivered during the COVID-19 outbreak. Given the processing of water and wastewater has been designated by the government as an essential service it is expected that all material services within the contract will continue to be delivered.

In the unlikely event that small services changes are required due to the current circumstances, the Company's subsidiaries have proactively worked with their main customers to manage any service changes needed in the current situation to maintain business continuity. In this respect, the government issued guidance, which encouraged contracting authorities to work pragmatically with suppliers (including the Company's subsidiaries), and take a sensible approach to the application of contractual mechanisms, such as performance deductions, to ensure supplier business continuity. As a result, the Company's subsidiaries did not incur any performance deductions as a direct result of COVID-19.

Business continuity

The UK&I group is accredited with ISO 22301 (Business Continuity Management) and the Company and its subsidiaries maintain a business continuity plan for each area of its operations, including the associated IT infrastructure, so should the unexpected happen, there is a predetermined plan in place to allow the business to recover and to continue servicing its main customers with as little disruption as possible. These plans include sharing of site infrastructure within the UK&I group, the use of external suppliers who specialise in disaster recovery scenarios and leveraging other group relationships.

Business continuity (continued)

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.

In response to COVID-19, the UK&I group's primary focus was to continue delivery of the essential services which the Company's subsidiaries provide to their customers and the local communities, whilst looking after the health and safety of the workforce, including through providing appropriate protective equipment to front line workers and reinforcing the importance of good hygiene. The key operational workstreams of the UK&I group (Waste disposal, Energy supply, and Water and Wastewater sectors) were designated by the government as essential services.

The response included considering the business impact from both an operational and financial perspective, and monitoring the impact on the workforce. The Company's subsidiaries considered the employees needed in order to continue to deliver their contracts and continued to have sufficient levels of resources available. In terms of workforce, where there were potential shortages of staff, the UK&I group deferred staff-intensive activities for example, mid-term capital expenditure ("MLC") activity, and also redeployed staff from other areas of the UK&I group, where services were reduced, and used agency staff where necessary. The UK&I group will continue to monitor the situation as it progresses to ensure a continued safe working environment, in conjunction with continued delivery of the contracts in line with the customers' requirements. There is also a key focus on good internal communication, with a dedicated intranet site, which is updated frequently.

In relation to supply chain, the response to COVID-19 included focus on procuring additional hand sanitiser and masks, as well as ensuring there are sufficient levels of spare parts and chemicals required for continued operations. As noted above, the supply chain was geared up to hold more stock within the UK in any case, and therefore at this stage, the Company believes that its subsidiaries have access to supplies necessary to maintain their operations.

Health and safety, quality and environment

The Company remains fully committed to respecting the UK&I group's corporate, legal and social responsibilities for health and safety, quality and the environment. It looks to continuously improve its systems and performance with specific year on year targets which are monitored and reviewed monthly.

The UK&I group's Active Risk Strategy continued into 2020 with the roll out of the Veolia Minimum Requirements ("VMR") Toolkit Programme aimed at setting a consistently high standard for how sites are operated and employees' safety continues to be a priority. By the end of 2020, 95% of the UK&I group's locations were covered by a VMR and over 4,000 employees were given refresher training.

The UK&I group's 2020 Safety Week campaign focused on the importance of building cohesive teams which are both mentally and physically healthy. These themes built on the resilience displayed by the teams as the business responded successfully to the challenges the COVID-19 pandemic presented. All of the UK&I group's essential services continued throughout the pandemic with assurance checks against the VMR standard maintained.

The UK&I group has taken a science and research based approach to COVID-19 to ensure the most effective controls are in place. In order to continue essential services and help protect employees and public health, it has been imperative that all advice available from experts has been considered. This includes the Chief Medical Officer ("CMO") and the research scientists at the University College London ("UCL"), who are acknowledged as leading experts within this field in the UK. All the safety measures implemented across the UK&I group to date have been carefully considered through engaging with the wider industry, which has resulted in the UK&I group being instrumental in the development of the Waste Industry Safety and Health Forum ("WISH") guidance.

Health and safety, quality and environment (continued)

The UK&I group has continued to develop its systems including 'AVA by Airsweb' in 2020 with powerful reporting tools designed to help sites identify how they can improve performance and learn from investigations and trend analysis. Accessibility of information to aid the business in meeting health, safety, quality and environmental requirements has been enhanced by a new management system launched in 2020.

The UK&I group has seen a 48% decrease in Reporting of Injuries, Diseases and Dangerous Occurrences Regulations ("RIDDOR") reportable accidents, and a 25% reduction in all accidents in 2020 versus the same period in 2019. Over 20,000 near miss / safety concerns (close calls) were reported in 2020. Reporting of near miss / safety concerns (close calls) supports a proactive culture. By learning from these events the UK&I group can stop accidents from happening in the future.

The UK&I group and the Company have an open relationship and maintain regular communication with all regulatory bodies, including the various Environment Agency bodies across the UK and Ireland. The UK&I group is committed to a sustainable future by protecting and conserving the natural environment and working with its customers to achieve sustainability targets and gain value by the circular economy and closed-loop thinking, which is at the heart of its business.

The UK&I group is externally certified to ISO 9001 (Quality), ISO 14001 (Environmental) and ISO 45001 (Health and Safety) and has an 'in-house' team of QHSE professionals with broad knowledge and experience of the field that provide the business with support on a day to day basis. The Directors monitor the performance and therefore consider the risk associated with health and safety, quality and environment to be acceptable.

Financial risks

It is the Company's objective to manage its financial risks so as to minimise the adverse effects of fluctuations in the financial markets on its profits and cash flows. The Company utilises the resources of the UK&I group to implement risk controls and loss mitigation plans to manage exposure to these risks. The VUK Board, which certain of the Company's Directors are members of, reviews and agrees policies for managing risks and they are summarised below:

- Credit risk
  The Company and its subsidiaries are exposed to counterparty risk in various areas of their operating activities and treasury activities. Credit risk therefore arises primarily on the Company's operating receivables and operating financial assets, much of which is with other undertakings of the Group. The carrying amount of trade and other debtors, and cash and cash equivalents represent the Company's maximum exposure to credit risk.

  The risk of major financial loss would occur if the Company's subsidiaries' customers failed to honour their obligations under their contracts. The Company's subsidiaries largely trade with large well-established and/or local authority clients, and so the likelihood of this is considered low.

  The UK&I group has allocated significant resources to a specific credit management team to minimise the credit risk in respect of its smaller, but equally well-established customers.

  The Company participates in Group centralised treasury arrangements, with the UK&I group being in a net deposit position, and so shares banking and intercompany loan arrangements with the Group, VUK and other UK based Group fellow subsidiaries, which are also provided with support from VUK. As set out in the going concern section, the Company has assessed the credit risk of the Group and VUK and considers that they are well placed to provide support and facilitate the repayment of any debts as they fall due.

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

Financial risks (continued)

- Interest rate risk
  The Company principally both uses funds from and lends funds to the UK&I group, via VUK, at floating rates of interest, priced according to a GBP index based on London Interbank Overnight Rates ("LIBOR") or Sterling Overnight Interbank Average Rates ("SONIA"). In light of the recent decline in interest rates, interest income levels have been lower than originally anticipated, however interest income is not a material income stream for this Company.

- Liquidity risk
  The Company is party to cash pooling arrangements where each member deposits its cash excesses in a current account with VUK and may borrow money in the form of short-term advances. VUK monitors the balances of all parties to the cash pooling arrangements to ensure the facility stays in a net surplus position. Cash forecasts are undertaken regularly to ensure payment profiles can be honoured in full at the appropriate date.

  The cash pool arrangements are centrally managed by the Group with the UK&I group being in a net deposit position. The Group has confirmed that the UK&I group will have access to these balances as required for its activities.

- Foreign exchange risk
  The Company has limited exposure to foreign currency risk in its normal trading activities as it operates in the UK and all of its trade and most of its purchases are procured in pound sterling. At each reporting date all financial assets and financial liabilities are denominated in pound sterling.

This report was approved by the board on 15 July 2021 and signed on its behalf.

John Abraham (Jul 15, 2021 18:23 GMT+1)

John Patrick Abraham
Director

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 stakeholder engagement and a description of the principal risks and uncertainties facing the Company are contained within the Strategic report.

Results and dividends

The loss for the year, after taxation, amounted to £5,064k *(2019: loss £5,503k)*.

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

Directors

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

John Patrick Abraham
David Andrew Gerrard (resigned 30 June 2021)
Celia Rosalind Gough
Gavin Howard Graveson
Estelle Karine Brachlianoff
Valérie Isabelle Marie Clavié (appointed 30 June 2021)

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

Directors' indemnity

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.

Pensions indemnity

Pursuant to a Deed of Amendment effective on 3 July 2009, the Company is liable under the Veolia UK Pension Plan, jointly and severally with other UK&I group companies thereunder, to indemnify the Directors of Veolia UK Pension Trustees Limited in certain circumstances against liability incurred in connection with the activities of Veolia UK Pension Trustees Limited as trustee of the Veolia UK Pension Plan. VUK is named as the Senior Company under this agreement. The indemnity provision was in place throughout the period and remains in force as at the date of approving the Directors' report.

Going concern

The Company's Balance Sheet shows net assets of £125,455k (*2019: £130,521k*), and at year end reported net current assets of £156,022k (*2019: £161,060k*). The Company participates in the Group centralised treasury arrangements and so shares banking and intercompany loan arrangements with the Group, VUK and other UK based fellow subsidiaries. The Company is managed as part of the UK&I group and budgets and forecasts are prepared at that level. The UK&I group's forecasts identify that the UK&I group is expected to meet its liabilities as they fall due for the period through to the 30 September 2022. A key assumption in the UK&I group's forecasts is the continuing availability of funds that are swept into the Group Treasury cash pooling arrangements and the intercompany loans provided by the Group to VUK and other UK based fellow subsidiaries.

Going concern (continued)

VUK has received a letter of financial support from the UK&I group's ultimate parent company, Veolia Environnement S.A., which confirms that the Group, if required, will provide financial support to VUK for the period ending 30 September 2022. VUK has in turn provided a letter of support to the Company to confirm that VUK will, if required, provide financial support to the Company for the same duration as provided by the Group to VUK.

The Directors of VUK have considered information regarding the Group's ability to provide support to VUK. This information included the issuing of €700m mid-term notes on 11 January 2021 and the Group's Q1 2021 results released on 5 May 2021. These results showed a growth in EBITDA of 11% compared to the equivalent prior year period ended 31 March 2020 and net debt of €13.5 billion as at 31 March 2021 *(31 December 2020: €13.2billion)*.

The Directors of the Company have made enquiries of the Directors of VUK to confirm that VUK has the ability to provide financial support, noting the financial position of the Group as described above.

Whilst there remains uncertainty regarding the continued impact of COVID-19, the Directors of the Company have concluded that, if required, the Group will be able to provide financial support to VUK, who in turn will be able to provide financial support to the Company, for the period through to 30 September 2022. Accordingly, the Directors are satisfied that they have a reasonable basis upon which to conclude that the Company is able to meet its liabilities as they fall due in the foreseeable future and that it remains appropriate to prepare the financial statements on a going concern basis.

Future developments

The Directors have considered the impact of the outbreak of COVID-19 and remain confident of the ability of the Company to continue to meet its customers' demands. As set out in the Strategic report, the government has issued guidance, which sets out the need for a pragmatic approach to the application of contractual mechanisms where certain parts of contracts are not able to be fulfilled.

Competition in this sector is expected to remain tough and cost controls are expected to continue into the future. The Directors consider the Company, along with other members of the UK&I group, to be well placed in all aspects of the environmental, water and wastewater management industry.

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.

Due to the use of facilities from the Group, denominated in pound sterling, the Company has minimal exposure to external loans and overdrafts and has limited exposure to foreign exchange as all of its trade and most of its expenses are incurred in pound sterling. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities.

The Company's borrowings and loans are all denominated in pound sterling and therefore the Company has no foreign currency exposure on its financing. The Company's borrowings are tied to LIBOR and/or SONIA with interest rates being reset each quarter. The Directors consider that LIBOR and SONIA rates will continue to be stable for the foreseeable future with only small increases due in this period.

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.

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

Disabled employees

The UK&I group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the UK&I group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Post balance sheet events

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

Disclosure of information to the Auditor

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

- so far as the 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

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

This report was approved by the board on 15 July 2021 and signed on its behalf.

John Abraham (Jul 15, 2021 18:23 GMT+1)

John Patrick Abraham
Director

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 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VEOLIA WATER UK LIMITED

Opinion

We have audited the financial statements of Veolia Water UK Limited for the year ended 31 December 2020, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. 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, 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.

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 the period through to 30 September 2022.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

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 this 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 there is 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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 10, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and compliance with the relevant direct and indirect tax regulation in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations, including health and safety, environmental and General Data Protection Regulation ("GDPR");
- We understood how Veolia Water UK Limited is complying with those frameworks by making enquiries of management to understand how the Company maintains and communicates its policies and procedures in these areas. We read the minutes of the UK&I Executive Committee, made inquiries of Legal and Internal Control departments to identify if there are matters where there is a risk of breach of such frameworks that could have a material adverse impact on the Company. We understood controls put in place by management to reduce the opportunities for fraudulent transactions;
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by internal team conversations, inquiry of management and review of the fraud assessment prepared by the UK&I group management;
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures were as set out above.

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

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.

Ernst & Young LLP

Eddie Diamond (Senior statutory auditor)

for and on behalf of
Ernst & Young LLP, Statutory auditor

Leeds

19 July 2021

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £000	2019 £000
Administrative expenses		(7,368)	(7,878)
Other operating income/(charges)		23	(22)
Operating loss	4	(7,345)	(7,900)
Interest receivable	7	3,266	3,567
Interest payable and similar charges	8	(1,785)	(2,043)
Other finance income/(charges)	9	(389)	(383)
Loss before tax		(6,253)	(6,759)
Tax on loss	10	1,189	1,256
Loss for the financial year		(5,064)	(5,503)
Actuarial loss on defined benefit schemes	21	(1)	(2)
Changes in assumptions on pension specific tax (IFRIC 14)		(1)	-
Total comprehensive loss for the year		(5,066)	(5,505)

VEOLIA WATER UK LIMITED
REGISTERED NUMBER:02127283

BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note		2020 £000		*2019 £000*
Fixed assets					
Intangible assets	12		**23**		*36*
Tangible fixed assets	13		**2**		*6*
Right-of-use assets	14		**5**		*23*
Investments	15		**11,951**		*11,951*
Pension surplus	21		**51**		*51*
Deferred taxation	11		**41**		*44*
			12,073		*12,111*
Current assets					
Debtors: amounts falling due after more than one year	16	**48,113**		*47,202*	
Debtors: amounts falling due within one year	16	**116,864**		*120,385*	
Cash at bank and in hand		**454**		*419*	
		165,431		*168,006*	
Creditors: amounts falling due within one year	17	**(9,409)**		*(6,946)*	
Net current assets			**156,022**		*161,060*
Total assets less current liabilities			**168,095**		*173,171*
Creditors: amounts falling due after more than one year	18		**(42,640)**		*(42,650)*
			125,455		*130,521*
Net assets			**125,455**		*130,521*

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2020

	Note	2020 £000	*2019 £000*
Capital and reserves			
Called up share capital	20	**500**	*500*
Profit and loss account		**124,955**	*130,021*
		125,455	*130,521*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 15 July 2021.

John Abraham (Jul 15, 2021 18:23 GMT+1)

John Patrick Abraham
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2019	**500**	**135,526**	**136,026**
Comprehensive loss for the year			
Loss for the year	**-**	**(5,503)**	**(5,503)**
Actuarial losses on defined benefit scheme (net of deferred tax)	**-**	**(2)**	**(2)**
At 1 January 2020	**500**	**130,021**	**130,521**
Comprehensive loss for the year			
Loss for the year	**-**	**(5,064)**	**(5,064)**
Actuarial losses on defined benefit scheme (net of deferred tax)	**-**	**(1)**	**(1)**
Changes in assumptions on pension specific tax	**-**	**(1)**	**(1)**
At 31 December 2020	**500**	**124,955**	**125,455**

The notes on pages 18 to 43 form part of these financial statements.

1. General information

Veolia Water UK Limited is a private company limited by shares, incorporated in England and Wales.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

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

The preparation of financial statements in compliance with FRS 101 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).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

2.3 Ultimate controlling party

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of 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. These accounts therefore only present the result of the Company as an individual entity.

2. Accounting policies (continued)

2.4 Going concern

The Company's Balance Sheet shows net assets of £125,455k *(2019: £130,521k)*, and at the year end reported net current assets of £156,022k *(2019: £161,060k)*. The Company participates in the Group centralised treasury arrangements and so shares banking and intercompany loan arrangements with the Group, VUK and other UK based fellow subsidiaries. The Company is managed as part of the UK&I group and budgets and forecasts are prepared at that level. The UK&I group's forecasts identify that the UK&I group is expected to meet its liabilities as they fall due for the period through to the 30 September 2022. A key assumption in the UK&I group's forecasts is the continuing availability of funds that are swept into the Group Treasury cash pooling arrangements and the intercompany loans provided by the Group to VUK and other UK based fellow subsidiaries.

VUK has received a letter of financial support from the UK&I group's ultimate parent company, Veolia Environnement S.A., which confirms that the Group, if required, will provide financial support to VUK for the period ending 30 September 2022. VUK has in turn provided a letter of support to the Company to confirm that VUK will, if required, provide financial support to the Company for the same duration as provided by the Group to VUK.

The Directors of VUK have considered information regarding the Group's ability to provide support to VUK. This information included the issuing of €700m mid-term notes on 11 January 2021 and the Group's Q1 2021 results released on 5 May 2021. These results showed a growth in EBITDA of 11% compared to the equivalent prior year period ended 31 March 2020 and net debt of €13.5 billion as at 31 March 2021 *(31 December 2020: €13.2billion)*.

The Directors of the Company have made enquiries of the Directors of VUK to confirm that VUK has the ability to provide financial support, noting the financial position of the Group as described above.

Whilst there remains uncertainty regarding the continued impact of COVID-19, the Directors of the Company have concluded that, if required, the Group will be able to provide financial support to VUK, who in turn will be able to provide financial support to the Company, for the period through to 30 September 2022. Accordingly, the Directors are satisfied that they have a reasonable basis upon which to conclude that the Company is able to meet its liabilities as they fall due in the foreseeable future and that it remains appropriate to prepare the financial statements on a going concern basis.

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentation currency is pound sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

2.6 Interest receivable

Interest receivable consists of income from amounts owed by Group fellow subsidiaries.

2. Accounting policies (continued)

2.7 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

2.8 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax assets and liabilities are not discounted.

2.9 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The estimated useful lives range as follows:

Software	-	5 years

Intangible assets are amortised on a straight-line basis over their useful life, usually the contract term to which they relate, unless another systematic amortisation basis better reflects the rate of consumption of the asset.

Assets in the course of development are not amortised during the development phase. On completion all assets will be transferred into the appropriate asset category and will be amortised per the stated accounting policy.

2. Accounting policies (continued)

2.10 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Freehold land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Plant and equipment	- 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

Assets in the course of construction are not depreciated during the construction phase. On completion all assets will be transferred into the appropriate asset category and will be depreciated per the stated accounting policy.

Interest on loans taken out specifically for plant under construction may be capitalised during the period of construction and included in the cost of tangible fixed assets.

2.11 Right-of-use assets and lease liabilities

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company has also used the practical expedient to use hindsight to determine the lease term if the contract contains options to extend or terminate the lease, where applicable.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities in respect of obligations to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Group has implemented a dedicated global IT solution to calculate the impacts of leases and enable their operational monitoring. This is used to:

- input leases (around 2,300 UK&I group leases were in effect at the transition date);
- periodically update information (new contracts, amendments to existing contracts);
- generate accounting journals and monitoring reports.

2. Accounting policies (continued)

2.11 Right-of-use assets and lease liabilities (continued)

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). The asset's initial valuation is based on the actual value of future rents paid in exchange of the right to use the asset to the maturity of the lease contract (after analysis of eventual possibility of renewal). The rents are fixed or are considered fixed in substance and may include rents which fluctuate in line with an index or rate. Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The Company analyses each lease individually to determine its term and, in the absence of renewal and/or early termination options that are reasonably certain to be exercised or not exercised, the enforceable period is adopted. Where the lease obligation is associated with a customer contract, which cannot be operated without the lease, the lease term is aligned with the customer contract end date. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

In calculating the present value of lease payments, the Group has elected not to use the rate implicit in the lease as the discount rate, because the interest rate implicit in the lease is not readily determinable, and has developed a calculation method to determine the incremental borrowing rate that would apply to the financing of the leased assets. The discount rate is calculated based on the following parameters: maturity of the lease liability; reference rate of the relevant currency and the Group credit spread, on the basis that the Group provides the majority of the financing requirements of its subsidiaries, through access to the bond market. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company applies the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value, being less than £3,500 (low-value assets). Lease payments on short-term leases and low-value assets are recognised as an expense on a straight-line basis over the lease term.

2.12 Impairment of fixed assets

Assets that are subject to depreciation or amortisation are assessed at each Balance Sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit ("CGUs") to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each Balance Sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

Any reversal of an impairment loss is taken through the Statement of Comprehensive Income in the year.

2. Accounting policies (continued)

2.13 Valuation of investments

The Company records its investments at historical cost less impairment. The investments are reviewed regularly for signs of impairment. Should there be evidence of impairment, the quantum of that impairment will be assessed by the use of a discounted cash flow analysis of that investment. Any impairment may be reversed in subsequent years if there is a significant improvement in the subsidiaries' performance but the revised value of the investment will not exceed its historic cost.

2.14 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 classifies all of its financial assets as financial assets subsequently measured at amortised cost.

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.

Financial assets subsequently measured at amortised cost

These comprise loans and debtors which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade debtors), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

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).

2. Accounting policies (continued)

2.14 Financial instruments (continued)

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 all of its financial liabilities as liabilities at amortised cost.

At amortised cost

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

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.

2.15 Pension plans and other post-employment benefits

The UK&I group offers a pension scheme to every member of staff and operates both defined contribution and defined benefit schemes. The assets of the schemes are invested and managed independently of the finances of the Group.

The majority of the Company's employees belong to defined contribution plans, where the Company pays an agreed contribution to a separate entity, relieving it from any liability for future payments. These obligations are expensed in the Statement of Comprehensive Income when due.

The Company also operates one defined benefit scheme, the Veolia Water UK Limited Final Salary Division of the Veolia UK Pension Plan. Under defined benefit schemes the Company retains the liability to pay a specified post-employment benefit to its employees after retirement.

Defined benefit plans

The net obligations of the Company are calculated based on an estimate of the amount employees will receive in retirement, in exchange for services rendered during the current and past periods. This amount is then discounted to present value and the fair values of plan assets are deducted. Fair value is based on market price information and in the case of quoted securities is the published bid price.

Where the calculation shows a plan surplus, the asset recognised is capped at the total of the discounted present value of expected future benefits, in the form of future repayments or reductions in plan contributions and the amount of unamortised past service costs. The plan surplus is recognised as a long-term financial asset, net of any pension specific taxation.

2. Accounting policies (continued)

2.15 Pension plans and other post-employment benefits (continued)

Defined benefit plans continued

Employee obligations of the Company are calculated using the projected unit credit method. This method is based on the probability of personnel remaining with the Company until retirement, the foreseeable changes in future compensation, and the appropriate discount rate. They are determined based on the yield offered by bonds issued by top quality companies (rated AA) with maturities equivalent to the average term of the plans valued in the UK.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the plan assets (excluding amounts included in net interest), are recognised immediately in other comprehensive income in the period in which they occur. Past and current service costs are recognised in the Statement of Comprehensive Income.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance income or cost.

IFRIC 14: Ruling 14 of the International Financial Reporting Standards Interpretation Committee ("IFRIC 14") clarifies how the asset ceiling should be applied, particularly how it interacts with local minimum funding rules. The Company has determined that it has an unconditional right to a refund of surplus assets if the plans are run off until the last member dies, on which basis IFRIC 14 does not cause any change in the Balance Sheet disclosure (before tax) and refund tax is applied to any theoretical surplus.

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 appropriate under the circumstances, the results of which form the basis of making judgments 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 investments**
  The financial statements include investments in subsidiaries and these are reviewed for indicators of impairment. Where impairment reviews are required, assumptions have been made, largely around the timing and scale of future profitability, for calculating the future value of the investments in order to impair the values or reverse previous impairments (see note 15).

- **Defined benefit schemes**
  The Company has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligations depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management, together with the independent qualified actuary, have made assumptions in respect of these factors in determining the net pension asset in the Balance Sheet. The assumptions reflect historical experience and current trends and are described further in note 21. This note also shows the effect of varying certain of those assumptions.

Judgments

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

- **Lease accounting**
  The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend or terminate the lease, applying judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate. Where the lease obligation is associated with a customer contract, which cannot be operated without the lease, the lease term is aligned with the customer contract end date.

  The Group cannot readily determine the interest rate implicit in the lease, and therefore has developed a calculation method to determine its incremental borrowing rate that would apply to the financing of the leased assets. The discount rate is calculated based on the following parameters: maturity of the lease liability and reference rate of the relevant currency and the Group credit spread, on the basis that the Group provides the majority of the financing requirements of its subsidiaries, through access to the bond market.

4. Operating loss

	2020 £000	*2019 £000*
Operating loss	**(7,345)**	*(7,900)*
Add back items charged/(credited) to operating loss:		
(Profit)/loss on exchange differences	**(23)**	*22*
Restructuring Costs	**61**	*-*
Adjusted 'current' EBIT	**(7,307)**	*(7,878)*
Add back items charged to operating loss:		
Depreciation of tangible fixed assets	**3**	*9*
Depreciation of right-of-use assets	**16**	*14*
Amortisation of intangible assets	**13**	*13*
Adjusted EBITDA	**(7,275)**	*(7,842)*
Other items charged to operating loss:		
Auditor's remuneration for audit of the financial statements (the Company)	**31**	*30*
Expenses related to short-term leases and low-value assets	**-**	*2*

5. Staff costs

Staff costs were as follows:

	2020 £000	*2019 £000*
Wages and salaries	**1,396**	*2,321*
Social security costs	**243**	*228*
Cost of defined contribution scheme	**252**	*180*
	1,891	*2,729*

As with many groups of the size of the UK&I group, employees are often contractually employed by other companies within the UK&I group. The majority of UK&I group employees are contractually employed by Veolia ES (UK) Limited. The above reflects the allocation of staff and attributable cost recharged via the UK payroll system which is regularly updated to reflect which company the employee provides services to, irrespective of their contract of employment.

5. Staff costs (continued)

The average monthly number of employees, including the Directors, during the year was as follows:

	2020 No.	*2019 No.*
Office & administration	12	*12*
Operations	6	*7*
	18	*19*

6. Directors' remuneration

	2020 £000	*2019 £000*
Directors' emoluments paid by the Company	430	*422*
Company contributions to defined contribution pension schemes	5	*12*
	435	*434*

The cost attributable to the highest paid Director was £435k (*2019: £434k*), including £5k (*2019: £12k*) in relation to the costs of defined contribution pension schemes.

One *(2019: one)* Director is paid by the Company, but also performs services for other companies within the UK&I group. The remaining Directors are paid by, and perform services for, other companies within the Group alongside their services to the Company.

Whilst not being paid by the Company, in 2020, the remaining Directors' costs have been apportioned to the principal companies they serve within the UK&I group. Had all the Directors' costs, including those paid directly by the Company, been recharged to each of the companies those Directors serve, the Company would have incurred £35k *(2019: £34k)* of Directors emoluments, including £1k *(2019: £1k)* of pension contributions.

7. Interest receivable

	2020 £000	*2019 £000*
Interest receivable from Group fellow subsidiaries	3,266	*3,567*

8. Interest payable and similar charges

	2020 £000	*2019 £000*
Interest payable to Group fellow subsidiaries	**1,722**	*1,918*
Bank and similar charges	**63**	*125*
	1,785	*2,043*

9. Other finance income/(charges)

	2020 £000	*2019 £000*
Net interest on net defined benefit pension scheme surplus	**2**	*2*
Other finance charges from Group fellow subsidiaries	**(391)**	*(385)*
	(389)	*(383)*

10. Taxation

	2020 £000	*2019 £000*
Corporation tax		
Current tax on loss for the year	**(1,196)**	*(1,283)*
Adjustments in respect of previous periods	**4**	*18*
Total current tax	**(1,192)**	*(1,265)*
Deferred tax		
Deferred tax - current year	**7**	*8*
Adjustments in respect of previous periods	**-**	*1*
Effect of changes to tax rates	**(4)**	*-*
Total deferred tax	**3**	*9*
Taxation on loss on ordinary activities	**(1,189)**	*(1,256)*

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than *(2019 - higher than)* the standard rate of corporation tax in the UK of 19% *(2019: 19%)*. The differences are explained below:

	2020 £000	*2019 £000*
Loss on ordinary activities before tax	**(6,253)**	*(6,759)*
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% *(2019: 19%)*	**(1,188)**	*(1,284)*
Effects of:		
Expenses not deductible for tax purposes	**-**	*10*
Adjustments to tax charge in respect of prior periods - current tax	**4**	*18*
Adjustments to tax charge in respect of prior periods - deferred tax	**-**	*1*
Effect of rate reduction on deferred tax	**(4)**	*-*
Difference between current and deferred tax rates	**(1)**	*(1)*
Total tax credit for the year	**(1,189)**	*(1,256)*

Factors that may affect future tax charges

Deferred tax assets and liabilities have been stated at the corporation tax rate of 19% *(2019: 17%)* reflecting that the UK Corporation Tax rate will be maintained at 19% from 1 April 2020. This rate was enacted on 17 March 2020 and remained in force at the Balance Sheet date.

At the Budget on 3 March 2021 the government announced an increase in the main UK Corporation Tax rate to 25% to take effect from 1 April 2023, which was substantively enacted on 24 May 2021. This was not in force at the Balance Sheet date and so has not been reflected in the measurement of deferred tax balances at the period end, but the effect would be to increase the Company's deferred tax asset by £13k.

11. Deferred taxation asset

	Accelerated capital allowances £000
At 1 January 2020	**44**
Charge to profit or loss	**(3)**
At 31 December 2020	**41**

12. Intangible assets

	Software £000
Cost	
At 1 January 2020	192
At 31 December 2020	192
Amortisation and impairment	
At 1 January 2020	156
Charge for the year	13
At 31 December 2020	169
Net book value	
At 31 December 2020	23
At 31 December 2019	*36*

13. Tangible fixed assets

	Plant and equipment £000
Cost or valuation	
At 1 January 2020	40
Disposals	(8)
At 31 December 2020	32
Depreciation and impairment	
At 1 January 2020	34
Charge for the year	3
Disposals	(7)
At 31 December 2020	30
Net book value	
At 31 December 2020	2
At 31 December 2019	*6*

14. Right-of-use assets

	Vehicles and other transport equipment £000
Cost or valuation	
At 1 January 2020	**58**
Additions	**4**
Disposals	**(8)**
Extensions	**3**
At 31 December 2020	**57**
Depreciation and impairment	
At 1 January 2020	**35**
Charge for the year	**16**
Disposals	**1**
At 31 December 2020	**52**
Net book value	
At 31 December 2020	**5**
At 31 December 2019	*23*

15. Investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2020	**11,951**
At 31 December 2020	**11,951**

All the Company's direct holdings in subsidiaries, joint ventures, associates and other significant interests are shown below and are registered at 210 Pentonville Road, London, N1 9JY ("210") or 1 Station Road, Four Ashes, Wolverhampton, Staffordshire, WV10 7DG ("Staffs").

All the Company's indirect holdings in subsidiaries, joint ventures, associates and other significant interests are listed in note 24.

15.1 Direct subsidiary undertakings

Name	Registered address	Class of shares	Holding	Principal activity
General Utilities Holdings Limited	210	Ordinary	100 %	Intermediate holding company
Veolia Water Enterprise Limited	210	Ordinary	100 %	Intermediate holding company
Brettex Site Services Limited	210	Ordinary	100 %	Water treatment and distribution

15.2 Joint ventures and associate undertakings

Name	Registered address	Class of shares	Holding	Principal activity
Veolia Environnement Development Centre Limited	Staffs	Ordinary	25 %	Training provider

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16. Debtors

		2020 £000	2019 £000
Amounts falling due after more than one year			
Long-term loans to Group fellow subsidiaries	23	**48,113**	*47,202*

		2020 £000	2019 £000
Amounts falling due within one year			
Trade debtors		**61**	*12*
Amounts owed by Group parent company		**-**	*5*
Amounts owed by Group fellow subsidiaries		**2,127**	*2,164*
Amounts owed by Group associates		**-**	*27*
Short-term loans to Group fellow subsidiaries	23	**112,151**	*115,450*
Other taxation debtor		**34**	*41*
Other debtors		**4**	*5*
Prepayments		**12**	*-*
Corporation tax recoverable		**2,475**	*2,681*
		116,864	*120,385*

17. Creditors: amounts falling due within one year

		2020 £000	2019 £000
Trade creditors		**710**	*662*
Amounts owed to Group fellow subsidiaries		**2,057**	*2,462*
Short-term loans from Group fellow subsidiaries	23	**3,302**	*115*
Other taxation and social security		**9**	*704*
Lease liabilities	19	**1**	*13*
Other creditors		**264**	*203*
Accruals		**3,066**	*2,787*
		9,409	*6,946*

18. Creditors: amounts falling due after more than one year

		2020 £000	2019 £000
Long-term loans from Group fellow subsidiaries	23	**42,640**	*42,640*
Lease liabilities	19	**-**	*10*
		42,640	*42,650*

19. Lease liabilities

The Company uses lease contracts for various items of vehicles and other transport equipment used in its operations. Leases generally have lease terms as follows:

Vehicles and other transport equipment – 4 years

The Company's obligations under its leases are secured by the lessor's title to the leased assets.

The Company also has certain leases with lease terms of 12 months or less and leases with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Movements in lease liabilities

	2020 £000	*2019 £000*
At 1 January	**23**	*33*
Additions	**-**	*13*
Accretion of interest	**-**	-
Disposal	**(11)**	*(9)*
Repayments	**(14)**	*(14)*
Revaluation	**3**	-
At 31 December	**1**	*23*

Lease liabilities are due as follows:

	2020 £000	*2019 £000*
Within one year	**1**	*13*
After one year but no more than five years	**-**	*10*
	1	*23*

Contractual undiscounted cash flows due are as follows:

	2020 £000	*2019 £000*
Within one year	**1**	*13*
After one year but no more than five years	**-**	*11*
	1	*24*
Less finance charges allocated to future periods	**-**	*(1)*
	1	*23*

20. Share capital

	2020	*2019*
	£000	*£000*
Allotted, called up and fully paid		
500,000 *(2019: 500,000)* ordinary shares of £1.00 each	**500**	*500*

21. Pension surplus

Defined contribution schemes

The UK&I group operates various defined contribution pension schemes. The assets of the schemes are invested and managed independently of the finances of the Group.

Contributions of £252k *(2019: £180k)* were paid by the Company in respect of its participation in the defined contribution schemes during the year.

Defined benefit schemes

The Company is the sponsoring employer of a final salary defined benefit pension plan called the Veolia Water UK Limited Final Salary Division of the Veolia UK Pension Plan ("VUKPP").

The scheme was established as at 1 April 1996 as the Generale des Eaux UK Retirement Benefits Scheme. This scheme was merged with the Generale des Eaux UK Pension Plan on 1 April 1998 to form the VUKPP, which was open to all new staff and existing members. The scheme provides a selection of benefits based upon final pensionable pay or money purchase according to the member's wishes. The VUKPP was split into two divisions, namely the DCCS division which only relates to Veolia Water Outsourcing Limited and for which the Company bears no responsibility, and the Veolia Water UK Limited Final Salary Division for which the Company bears full contractual responsibility.

The Veolia Water UK Limited Final Salary Division was closed to new members on 30 September 2004 and was frozen on 31 January 2016. During 2017 the Trustee of the scheme used the assets of the Division to fully insure the benefits of the Division through a Buy-In policy with Pension Insurance Corporation.

The Plan assets are held in a separate Trustee administered fund to meet the long-term pension liabilities of past and present employees. The Corporate Trustee of the fund is required to act in the best interest of the plan's members and beneficiaries. The appointment of Trustee Directors to the fund is determined by the Plan's Trust documentation. The plan has a policy that one-third of all Trustee Directors should be nominated by members of the Fund. The Trust Deed provides the Company with an unconditional right to a refund of surplus assets assuming the full settlement of plan liabilities in the event of a plan wind-up. Furthermore, in the ordinary course of business the Trustee has no rights to unilaterally wind up, or otherwise augment the benefits due to members of the schemes. Based on these rights, any net surplus in the schemes is recognised in full.

In order to provide information about the funding position of the schemes, regular actuarial valuations are carried out. The most recent formal valuation of the Veolia Water UK Limited Final Salary Division took place on 31 December 2017 by a qualified actuary using the projected unit method. The valuations used have been based on the most recent actuarial valuations and updated by Mercer to take account of the requirements of IAS 19 in order to assess the liabilities of the schemes at 31 December 2020.

21. Pension surplus (continued)

	2020 £000	*2019 £000*
Fair value of plan assets	**30,934**	*28,228*
Present value of the defined benefit obligation	**(30,855)**	*(28,150)*
	79	*78*
Tax charge on theoretical surplus if reimbursed to Company	**(28)**	*(27)*
Defined benefit plan surplus	**51**	*51*

Composition of plan assets measured at fair value:

	2020 £000	*2019 £000*
Cash	**79**	*78*
Assets held with insurance company	**30,855**	*28,150*
Total fair value of plan assets	**30,934**	*28,228*

The amounts recognised in the Statement of Comprehensive Income for the year are analysed as follows:

	2020 £000	*2019 £000*
Recognised in the Statement of Comprehensive Income		
Interest cost	**571**	*747*
Interest income on plan assets	**(573)**	*(749)*
Defined benefit credit included in the Statement of Comprehensive Income	**(2)**	*(2)*

	2020 £000	*2019 £000*
Recognised in Other comprehensive income		
Return on plan assets (excluding amounts included in net interest)	**(3,905)**	*2,828*
Actuarial changes arising from changes in demographic assumptions	**242**	*489*
Actuarial changes arising from changes in financial assumptions	**3,664**	*(3,319)*
	1	*(2)*

21. Pension surplus (continued)

Changes in the present value of the defined benefit obligation are analysed as follows:

	2020 £000	2019 £000
Opening defined benefit obligation	**28,150**	*26,040*
Benefits paid	**(1,772)**	*(1,467)*
Actuarial losses on obligation	**3,906**	*2,830*
Interest cost	**571**	*747*
	30,855	*28,150*

Changes in fair value of plan assets are analysed as follows:

	2020 £000	2019 £000
Opening fair value of plan assets	**28,228**	*26,118*
Interest income on plan assets	**573**	*749*
Benefits paid	**(1,772)**	*(1,467)*
Actuarial gains on plan assets	**3,905**	*2,828*
	30,934	*28,228*

Principal assumptions

The present value of pension obligation is estimated by discounting pension commitments, including salary growth, at an AA corporate bond yield.

	2020	2019
The principal assumptions used in determining the pensions obligations are shown below:		
Future pension-in-pension increases	**2.85 %**	*2.90 %*
Discount rate	**1.45 %**	*2.05 %*
Future price inflation	**2.05 %**	*1.90 %*
Life expectancy for a male pensioner age 65 (yrs)	**23.2**	*22.8*
Life expectancy for a male non-pensioner age 65 (yrs)	**23.9**	*23.5*

The most recent formal valuation of the Veolia Water UK Limited Final Salary Division took place on 31 December 2017. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

21. Pension surplus (continued)

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, the expected salary increases based on price inflation and mortality. The sensitivity analysis below has been determined based on reasonably possible changes in the respective assumptions occurring at the end of the reporting period, whilst holding all other assumptions constant:

- if the discount rate was 25 basis points higher/(lower), the defined benefit obligation would have decreased by £nil. In 2019 the defined benefit obligation would have decreased by *£1,441k/(increased by £1,441k)*;
- if the price inflation (RPI) was 25 basis points higher/(lower), the defined benefit obligation would have increased by £nil. In 2019 the defined benefit obligation would have increased by *£1,441k/(decreased by £1,441k)*;
- if the life expectancy increased/(decreased) by one year for both men and women, the defined benefit obligation would have increased by £nil. In 2019 the defined benefit obligation would have increased by *£897k/(decreased by £897k)*.

There have been no changes to actuarial methods or assumptions in preparing the analysis from prior years.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some assumptions may be correlated.

22. Contingent liabilities

The Company holds performance bonds and similar guarantees with various financial houses and has issued various parent company guarantees ("PCGs") to support its subsidiaries as a requirement of trading contracts entered into. At 31 December 2020, £361,989k *(2019: £353,667k)* of performance bonds, similar guarantees and PCGs had been entered into.

23. Related party transactions

During the year the Company entered into transactions, in the ordinary course of business, with related parties. The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

Balances outstanding as at 31 December 2020 with all related parties are disclosed in notes 16, 17 and 18.

Trading transactions entered into during the year to 31 December 2020 with other related parties and loan balances with all related parties are as follows:

Trading transactions

	2020	*2019*
	£000	*£000*
Re-invoicing of goods and services		
Group joint ventures	-	*235*

23. Related party transactions (continued)

	2020 £000	*2019* *£000*
Purchases of goods and services		
Group Parent Company	**4**	-

Loans owed by related parties

Group fellow subsidiaries	Due within one year £000	Due after one year and within five years £000	Due after five years £000	Total £000	*2019* *£000*
Veolia UK Limited	**1,359**	**2,164**	**4,643**	**8,166**	*10,026*
Veolia Water Enterprise Limited	-	**41,306**	-	**41,306**	*39,195*
Group cash pooling balances	**110,792**	-	-	**110,792**	*113,431*
	112,151	**43,470**	**4,643**	**160,264**	*162,652*

Veolia UK Limited loan totalling £8,166k *(2019: £10,026k)* is made up of the following:

- a loan totalling £1,385k *(2019: £1,430k)*, including accrued interest of £34k *(2019: £35k)*. The loan bears interest at 10.00%. Interest and capital are repaid in semi-annual instalments. The loan will be repaid in full by March 2030;
- a loan totalling £6,781k *(2019: £8,596k)*, including accrued interest of £125k *(2019: £158k)*. The loan bears interest at 7.45%. Interest and capital are repaid in semi-annual instalments. The loan will be repaid in full by September 2027.

Veolia Water Enterprise Limited loan totalling £41,306k *(2019: £39,195k)* is made up of the following:

- A loan totalling £41,306k *(2019: £39,195k)*, which bears interest at a variable rate based on 3 month LIBOR plus 3.75% and a utilisation fee of 0.35%. The interest is capitalised on a quarterly basis. The loan will be repaid in full by December 2024.

23. Related party transactions (continued)

Loans owed to related parties

Group fellow subsidiaries	Due within one year £000	Due after one year and within five years £000	Due after five years £000	Total £000	*2019 £000*
Veolia UK Limited	**95**	**42,640**	**-**	**42,735**	*42,755*
General Utilities Holdings Limited ("GUH")	**3,207**	**-**	**-**	**3,207**	-
	3,302	**42,640**	**-**	**45,942**	*42,755*

VUK loan totalling £42,735k *(2019: £42,755k)* is made up of the following:

- a loan totalling £28,270k *(2019: £28,283k)*, including accrued interest of £70k *(2019: £83k)*. The loan bears interest at 3 month LIBOR plus 3.75% and a utilisation fee of 0.35%. Interest is repaid in quarterly instalments. The loan will be repaid in full by December 2024;
- a loan totalling £14,465k *(2019: £14,472k)*, including accrued interest of £25k *(2019: £32k)*. The loan bears interest at 3 month LIBOR plus 2.50% and a utilisation fee of 0.35%. Interest is repaid in quarterly instalments. The loan will be repaid in full by December 2023.

GUH loan totalling £3,207k *(2019: £nil)* is repayable on demand.

24. Indirect holdings in subsidiary undertakings and joint ventures

All the Company's indirect holdings in subsidiaries, joint ventures, associates and other significant interests are shown below and are registered at 210 Pentonville Road, London, N1 9JY ("210"), or, if a voluntary liquidator has been appointed, at 6 Snow Hill, London, EC1A 2AY ("Snow Hill"), except for those shown in the table in note 24.3 or those subsidiaries which have been dissolved in the year ("Dissolved").

24.1 Subsidiary undertakings

Name	Registered address	Class of shares	Holding	Principal activity
General Utilities Limited	210	Ordinary	100 %	Dormant entity
Sterling Water Services Limited	Snow Hill	Ordinary	100 %	Dormant entity (Voluntary Liquidator appointed in a prior year)
Stirling Water Seafield Finance Plc	24.3	Ordinary	100 %	Issue of bonds to fund infrastructure projects undertaken
Stirling Water Seafield Holdings Limited	24.3	Ordinary	100 %	Holding company
Stirling Water Seafield Limited	24.3	Ordinary	100 %	Water treatment and distribution
Veolia Water Capital Delivery Limited	210	Ordinary	100 %	Waste and water services with investments

24. Indirect holdings in subsidiary undertakings and joint ventures (continued)

24.1 Subsidiary undertakings (continued)

Name	Registered address	Class of shares	Holding	Principal activity
Veolia Water Infrastructure Services Limited	210	Ordinary	100 %	Water treatment and distribution
Veolia Water Ireland Limited	24.3	Ordinary	100 %	Design, build, water treatment and distribution in the water sector in Ireland
Veolia Water Nevis Limited	210	Ordinary	100 %	Water services
Veolia Water Operational Services (Highland) Limited	210	Ordinary	100 %	Waste water services
Veolia Water Operational Services (Moray) Limited	210	Ordinary	100 %	Waste water services
Veolia Water Operational Services (Tay) Limited	210	Ordinary	100 %	Waste water services
Veolia Water Outsourcing Limited	210	Ordinary	100 %	Water services
Veolia Water Projects Limited	210	Ordinary	100 %	Water services
Veolia Water Retail (UK) Ltd	210	Ordinary	100 %	Dormant entity
Engenica Limited	Dissolved	Ordinary	100 %	Dissolved during the year (06 August 2020)
Stirling Environmental Limited	Dissolved	Ordinary	100 %	Dissolved during the year (23 July 2020)
Veolia Water DB Ireland Limited	Dissolved	Ordinary	100 %	Listed for strike off in the year (effective from 20 March 2020)
Veolia Water Operations Ireland Limited	Dissolved	Ordinary	100 %	Listed for strike off in the year (effective from 02 April 2020)

24.2 Joint ventures and associate undertakings

Name	Registered address	Class of shares	Holding	Principal activity
4Delivery Limited	210	Ordinary	40 %	Water treatment and distribution
Brighton & Hove 4Delivery Limited	210	Ordinary	49 %	Water treatment and distribution
Glen Water (Holdings) Limited	24.3	Ordinary	50 %	Waste water services
Glen Water Limited	24.3	Ordinary	50 %	Water treatment and distribution
MUJV Limited	24.3	Ordinary	49.99 %	Utility infrastructure management
Reno (Highland) Limited	24.3	Ordinary	30 %	Investment holding company for a group that operates and maintains waste water treatment plants
Reno (Moray) Limited	24.3	Ordinary	45 %	Investment holding company for a group that operates and maintains waste water treatment plants
Reno (Tay) Limited	24.3	Ordinary	45 %	Investment holding company for a group that operates and maintains waste water treatment plants

24. Indirect holdings in subsidiary undertakings and joint ventures (continued)

24.3 Registered offices of direct undertakings

Name	Registered address
Glen Water (Holdings) Limited	Third Floor, Broad Quay House, Prince Street, Bristol, BS1 4DJ
Glen Water Limited	Third Floor, Broad Quay House, Prince Street, Bristol, BS1 4DJ
MUJV Limited	Aspire Business Centre, Ordnance Rd, Tidworth, SP9 7QD
Reno (Highland) Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Reno (Moray) Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Reno (Tay) Limited	Cannon Place, 78 Cannon Street, London, EC4N 6AF
Stirling Water Seafield Holdings Limited	13 Queens Road, Aberdeen, Scotland, AB15 4YL
Stirling Water Seafield Finance Plc	13 Queens Road, Aberdeen, Scotland, AB15 4YL
Stirling Water Seafield Limited	13 Queens Road, Aberdeen, Scotland, AB15 4YL
Veolia Water Ireland Limited	Suite 18, Plaza 256, Blanchardstown Corporate Park 2, Blanchardstown, Dublin 15, D15 TR96

25. Post balance sheet events

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

26. Immediate parent and controlling party

The immediate parent company is Veolia UK Limited, a company incorporated in the UK.

The ultimate parent 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 Veolia Water UK Limited, are currently prepared.