

VEOLIA WATER PROJECTS LIMITED
STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

VEOLIA WATER PROJECTS LIMITED

COMPANY INFORMATION

Directors	John Patrick Abraham Tracy Jayne Knipe Ian David Williams Fiona Mary Katherine Winters
Company secretary	Elaine Margaret Aitken
Registered number	02490118
Registered office	210 Pentonville Road London N1 9JY
Independent auditor	Ernst & Young LLP 1 Bridgewater Place Water Lane Leeds LS11 5QR

VEOLIA WATER PROJECTS LIMITED

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VEOLIA WATER PROJECTS LIMITED

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 Projects Limited (the "Company") is the provision of water and wastewater services to commercial and residential customers, the largest of which is the Ministry of Defence ("MOD"). The Company also provides network management services to various airports in England and Scotland.

The Company is registered and domiciled in the United Kingdom.

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

Business review

The Company continued its core activities during the year.

The Tidworth water business continued to work closely with developers as the MOD releases parcels of land for development. To support the development and associated customer growth, reinforcement of the treatment and network assets has continued throughout the year.

The year on year EBITDA results have decreased. This is primarily due to the COVID-19 impact on our airport operating maintenance and billing contracts.

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	<i>2019</i>
	£000	<i>£000</i>
Revenue	8,589	<i>8,793</i>
Adjusted EBITDA	1,127	<i>1,290</i>
Adjusted EBITDA as a percentage of revenue	13.1 %	<i>14.7 %</i>
Adjusted 'current' EBIT	817	<i>1,003</i>

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 5 for a reconciliation of these key performance indicators to operating profit.

VEOLIA WATER PROJECTS LIMITED

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

Section 172(1) Statement

The Directors have ensured compliance with their duties under s.172(1) in relation to the Company and its various stakeholders, including its workforce, main customers and suppliers, local community 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 is also a recipient 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 stakeholders has informed the way in which the Directors have discharged their duties and addressed the principal risks and uncertainties as detailed below. Where individual Directors are not directly involved in the processes described below, regular feedback and discussions are held with the relevant management teams, including UK&I Executive Committee meetings and operational review meetings. There were no matters brought to the attention of the Directors through the undertaken engagement that were considered to be of strategic importance, other than relating to those matters detailed in the principal decisions section below.

The main purpose of the Company is the provision of water and wastewater services to commercial and residential customers, including its main customer, MOD, (and indirectly therefore the local community) and ensuring the smooth running of the contract, as outlined above. The Company also provides network management services to various airports in England and Scotland.

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

The UK&I group has a Supply Chain Team who are responsible for sourcing goods and services and managing the associated supply chain risk across the UK&I group. The Directors recognise that the smooth running of the Company relies on adequate, good quality and timely supplies of goods and services. 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's long-term success is predicated on the commitment of its workforce. Through the UK&I group, the Company provides employees with relevant training using both in-house and external providers. The health and safety of its 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 also engages with trade union representatives on site and via regular Joint Trade Union Forum meetings.

The UK&I group and the Company 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. Please refer to the Health and safety, quality and environment section of the Strategic report for details of the Company's engagement with regulatory authorities.

As regards principal decisions during the year, a dividend was paid as detailed in the Directors' report, providing return on investment for the Company's shareholder, while taking into account the Company's 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.

VEOLIA WATER PROJECTS LIMITED

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

Principal risks and uncertainties (continued)

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 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.

The Company is working with its main customers to ensure that all required aspects of the 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, all material services within the contract continued to be delivered. The Company has proactively worked with its 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), and take a sensible approach to the application of contractual mechanisms, such as performance deductions, to ensure supplier business continuity. The MOD also issued its own guidance to contractors. As a result, the Company 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 maintains 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 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.

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 provides to its customers and the local community, 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.

VEOLIA WATER PROJECTS LIMITED

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

Business continuity (continued)

The response included considering the business impact from both an operational and financial perspective, and monitoring the impact on the workforce. The Company considered the employees needed in order to continue to deliver the contract and continued to have sufficient levels of resource available. In terms of workforce, where there were potential shortages of staff, the UK&I group deferred staff-intensive activities 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 it has access to supplies necessary to maintain its 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.

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.

VEOLIA WATER PROJECTS LIMITED

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

Health and safety, quality and environment (continued)

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.

Risks relating to the price of energy and commodities

The price the Company pays for its commodities such as the supply of energy and fuel can have a significant impact on the return it gets from its business. The Company's contracts with its customers generally have indexing formulae to mitigate some of the risk around price increases, however to the extent the Company is unable to increase its prices sufficiently or if there is a significant delay in being able to do so, such increases could undermine the Company's operations by increasing costs and reducing profitability.

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 reviews and agrees policies for managing risks and they are summarised below:

- Credit risk

The Company is exposed to counterparty risk in various areas of its 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 main customer, MOD, a well-established, stable and public sector client, failed to honour its obligations under the contract. The likelihood of this is considered low and is considered to continue to be such in the current environment.

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.

- Interest rate risk

The Company principally 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.

VEOLIA WATER PROJECTS LIMITED

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

Financial risks (continued)

- 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 8 July 2021 and signed on its behalf.



John Patrick Abraham
Director

VEOLIA WATER PROJECTS LIMITED

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 profit for the year, after taxation, amounted to £654k (2019: £844k).

Dividends paid in the year under review amounted to £1,835k (2019: £nil).

Directors

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

John Patrick Abraham
Xavier Aragon (resigned 7 October 2020)
Delphine Gilbert (resigned 22 June 2021)
Tracy Jayne Knipe
Adrian Graham Mercer (resigned 10 April 2020)
Ian David Williams (appointed 8 October 2020)
Fiona Mary Katherine Winters

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.

Going concern

The Company's Balance Sheet shows net assets of £5,093k (2019: £6,274k), and at year end reported net current liabilities of £(553)k (2019: net current assets £1,442k). 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 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.

VEOLIA WATER PROJECTS LIMITED

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

Going concern (continued)

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.

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.

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.

VEOLIA WATER PROJECTS LIMITED

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

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 8 July 2021 and signed on its behalf.



John Patrick Abraham
Director

VEOLIA WATER PROJECTS LIMITED

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 PROJECTS LIMITED

Opinion

We have audited the financial statements of Veolia Water Projects 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 25, 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 profit 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VEOLIA WATER PROJECTS LIMITED (CONTINUED)

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VEOLIA WATER PROJECTS LIMITED (CONTINUED)

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.

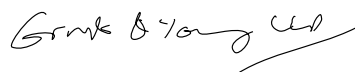
Our approach was as follows:

- 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 Projects 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. We understood that revenue, adjusted EBITDA and adjusted 'current' EBIT are the key performance measures for management and we considered that these could be most likely manipulated through the posting of manual journals to revenue. We reviewed manual journals to revenue and considered the nature of these transactions. For those that we did not consider to be in the normal course of business and were not of a trivial value we obtained evidence to support the validity of such adjustments. In addition, we selected a sample of items within contract assets and validated these either to cash paid or other evidence to demonstrate that the accounting was appropriate;
- 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.



Eddie Diamond (Senior statutory auditor)

for and on behalf of

Ernst & Young LLP, Statutory auditor

Leeds

12 July 2021

VEOLIA WATER PROJECTS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £000	2019 £000
Revenue	4	8,589	8,793
Cost of sales		(7,560)	(7,365)
Gross profit		1,029	1,428
Administrative expenses		(212)	(425)
Other operating (charges)/income		(2)	1
Operating profit	5	815	1,004
Interest receivable	8	11	18
Interest payable and similar charges	9	-	(1)
Profit before tax		826	1,021
Tax on profit	10	(172)	(177)
Profit for the financial year		654	844
Other comprehensive income		-	-
Total comprehensive income for the year		654	844

VEOLIA WATER PROJECTS LIMITED
REGISTERED NUMBER:02490118

BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	2020 £000	2019 £000
Fixed assets			
Intangible assets	13	38	63
Tangible fixed assets	14	5,811	4,849
Right-of-use assets	15	18	50
		<u>5,867</u>	<u>4,962</u>
Current assets			
Debtors: amounts falling due within one year	16	4,137	5,900
Cash at bank and in hand		25	139
		<u>4,162</u>	<u>6,039</u>
Creditors: amounts falling due within one year	17	(4,715)	(4,597)
Net current (liabilities)/assets		<u>(553)</u>	<u>1,442</u>
Total assets less current liabilities		<u>5,314</u>	<u>6,404</u>
Creditors: amounts falling due after more than one year	18	(11)	(11)
		<u>5,303</u>	<u>6,393</u>
Provisions for liabilities			
Deferred taxation	11	(210)	(119)
		<u>(210)</u>	<u>(119)</u>
Net assets		<u>5,093</u>	<u>6,274</u>
Capital and reserves			
Called up share capital	20	250	250
Share premium account	21	250	250
Profit and loss account		4,593	5,774
		<u>5,093</u>	<u>6,274</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 8 July 2021.



John Patrick Abraham
 Director

VEOLIA WATER PROJECTS LIMITED

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

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 January 2019	250	250	4,930	5,430
Comprehensive income for the year				
Profit for the year	-	-	844	844
At 1 January 2020	<u>250</u>	<u>250</u>	<u>5,774</u>	<u>6,274</u>
Comprehensive income for the year				
Profit for the year	-	-	654	654
Dividends	-	-	(1,835)	(1,835)
At 31 December 2020	<u><u>250</u></u>	<u><u>250</u></u>	<u><u>4,593</u></u>	<u><u>5,093</u></u>

The notes on pages 17 to 37 form part of these financial statements.

VEOLIA WATER PROJECTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. General information

Veolia Water Projects 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 the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- 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 is consolidated in the consolidated financial statements of its ultimate parent company and controlling entity, Veolia Environnement S.A. (incorporated in France). Copies of the consolidated financial statements for Veolia Environnement S.A. are available from the registered office at 21 rue La Boétie, 75008 Paris, France.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.4 Going concern

The Company's Balance Sheet shows net assets of £5,093k (2019: £6,274k), and at the year end reported net current liabilities of £(553)k (2019: net current assets £1,442k). 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 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 the 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 Revenue

Revenue is recognised in line with the achievement of performance obligations to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.5 Revenue (continued)

The following criteria must also be met before revenue is recognised:

- revenue from the supply of water not covered by a specific management contract is recognised at the point it is supplied to the customer;
- revenue from providing services is recognised in the accounting period in which the services are rendered.

The Company applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about the remaining performance obligations that have original expected durations of one year or less.

2.6 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.

2.7 Interest receivable

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

2.8 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.

2.9 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.9 Current and deferred taxation (continued)

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.

2.10 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	-	3 years
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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.

2.11 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.11 Tangible fixed assets (continued)

The estimated useful lives range as follows:

Freehold buildings	-	Over their estimated useful lives up to 50 years
Plant and equipment	-	2 to 30 years, with the majority being 5 to 10 years
Vehicles and other transport 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.

2.12 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.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

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

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.

2.13 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.

2.14 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:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.14 Financial instruments (continued)

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).

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.14 Financial instruments (continued)

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.

All 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.

2.16 Dividends

Dividends are recognised when the dividend is appropriately authorised and no longer at the discretion of the entity. Interim dividends are recognised when the dividend is approved by the Board of Directors. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

3. Judgment 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.

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.

VEOLIA WATER PROJECTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

4. Revenue

An analysis of revenue by class of business is as follows:

	2020	<i>2019</i>
	£000	<i>£000</i>
Rendering of services	8,589	<i>8,793</i>

All revenue arose within the United Kingdom.

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	2020	<i>2019</i>
	£000	<i>£000</i>
Receivables (included within trade debtors)	824	<i>523</i>
Contract assets	746	<i>666</i>
Contract liabilities	(1,607)	<i>(1,395)</i>
	(37)	<i>(206)</i>

Deferred revenue, recognised as contract liabilities due within one year, has subsequently been recognised as revenue during the following year.

Payment terms for contract assets relate to services provided up to 30 days prior to billing and are generally paid within normal contract terms of between 30-90 days of the invoice date.

VEOLIA WATER PROJECTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

5. Operating profit

	2020	<i>2019</i>
	£000	<i>£000</i>
Operating profit	815	<i>1,004</i>
Add back items charged/(credited) to operating profit:		
Loss/(profit) on exchange differences	2	<i>(1)</i>
Adjusted 'current' EBIT	817	<i>1,003</i>
Add back items charged to operating profit:		
Depreciation of tangible fixed assets	247	<i>222</i>
Depreciation of right-of-use assets	38	<i>41</i>
Amortisation of intangible assets	25	<i>24</i>
Adjusted EBITDA	1,127	<i>1,290</i>
Other items charged to operating profit:		
Auditor's remuneration for audit of the financial statements (the Company)	24	<i>24</i>
Expenses related to short-term leases and low-value assets	60	<i>21</i>

VEOLIA WATER PROJECTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

6. Staff costs

Staff costs were as follows:

	2020 £000	<i>2019</i> <i>£000</i>
Wages and salaries	868	<i>1,048</i>
Social security costs	103	<i>120</i>
Cost of defined contribution scheme	77	<i>123</i>
	1,048	<i>1,291</i>

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.

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

	2020 No.	<i>2019</i> <i>No.</i>
Office & administration	21	<i>20</i>
Operations	5	<i>5</i>
	26	<i>25</i>

7. Directors' remuneration

In 2020, all of the Directors are paid by, and perform services for, other companies within the Group alongside their services to this Company. Whilst not being paid by the Company, in 2020, the Directors' costs have been apportioned to the principal companies they serve within the UK&I group. Had the Directors' costs been recharged to all the companies those Directors serve, the Company would have incurred £331k (2019: £312k) of Directors emoluments, including £32k (2019: £31k) of pension contributions.

8. Interest receivable

	2020 £000	<i>2019</i> <i>£000</i>
Interest receivable from Group fellow subsidiaries	11	<i>18</i>

9. Interest payable and similar charges

	2020 £000	<i>2019</i> <i>£000</i>
Interest payable on lease liabilities	-	<i>1</i>

VEOLIA WATER PROJECTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

10. Taxation

	2020	<i>2019</i>
	£000	<i>£000</i>
Corporation tax		
Current tax on profit for the year	82	<i>112</i>
Adjustments in respect of previous periods	(1)	<i>(16)</i>
	<hr/>	<hr/>
Total current tax	81	<i>96</i>
Deferred tax		
Deferred tax - current year	69	<i>74</i>
Adjustments in respect of previous periods	-	<i>7</i>
Effect of changes to tax rates	22	<i>-</i>
	<hr/>	<hr/>
Total deferred tax	91	<i>81</i>
	<hr/>	<hr/>
Taxation on profit on ordinary activities	172	<i>177</i>
	<hr/> <hr/>	<hr/> <hr/>

Factors affecting tax charge for the year

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

	2020	<i>2019</i>
	£000	<i>£000</i>
Profit on ordinary activities before tax	826	<i>1,021</i>
	<hr/> <hr/>	<hr/> <hr/>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (<i>2019: 19%</i>)	157	<i>194</i>
Effects of:		
Expenses not deductible for tax purposes	2	<i>1</i>
Adjustments to tax charge in respect of prior periods - current tax	(1)	<i>(16)</i>
Adjustments to tax charge in respect of prior periods - deferred tax	-	<i>7</i>
Difference between current and deferred tax rates	(8)	<i>(9)</i>
Effect of changes to tax rates	22	<i>-</i>
	<hr/>	<hr/>
Total tax charge for the year	172	<i>177</i>
	<hr/> <hr/>	<hr/> <hr/>

VEOLIA WATER PROJECTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

10. Taxation (continued)

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 liability by £66k.

11. Deferred taxation

	Accelerated capital allowances £000
At 1 January 2020	119
Charge to profit or loss	91
At 31 December 2020	210

12. Dividends

	2020 £000	<i>2019 £000</i>
Interim dividends paid	1,835	-

VEOLIA WATER PROJECTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

13. Intangible assets

	Assets under development £000	Software £000	Total £000
Cost			
At 1 January 2020	4	406	410
Transfer between classes	(4)	4	-
At 31 December 2020	-	410	410
Amortisation and impairment			
At 1 January 2020	-	347	347
Charge for the year	-	25	25
At 31 December 2020	-	372	372
Net book value			
At 31 December 2020	-	38	38
<i>At 31 December 2019</i>	<i>4</i>	<i>59</i>	<i>63</i>

VEOLIA WATER PROJECTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

14. Tangible fixed assets

	Freehold buildings £000	Plant and equipment £000	Vehicles and other transport equipment £000	Assets under construction £000	Total £000
Cost or valuation					
At 1 January 2020	2,139	6,217	68	280	8,704
Additions	30	490	-	692	1,212
Disposals	-	(286)	-	-	(286)
Transfers between classes	1	213	-	(214)	-
At 31 December 2020	2,170	6,634	68	758	9,630
Depreciation and impairment					
At 1 January 2020	204	3,610	41	-	3,855
Charge for the year	75	158	14	-	247
Disposals	-	(283)	-	-	(283)
At 31 December 2020	279	3,485	55	-	3,819
Net book value					
At 31 December 2020	1,891	3,149	13	758	5,811
<i>At 31 December 2019</i>	<i>1,935</i>	<i>2,607</i>	<i>27</i>	<i>280</i>	<i>4,849</i>

VEOLIA WATER PROJECTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

15. Right-of-use assets

	Land and buildings £000	Vehicles and other transport equipment £000	Total £000
Cost or valuation			
At 1 January 2020	86	72	158
Additions	-	21	21
Disposals	(86)	(6)	(92)
At 31 December 2020	-	87	87
Depreciation and impairment			
At 1 January 2020	61	47	108
Charge for the year	16	22	38
Disposals	(77)	-	(77)
At 31 December 2020	-	69	69
Net book value			
At 31 December 2020	-	18	18
<i>At 31 December 2019</i>	<i>25</i>	<i>25</i>	<i>50</i>

The net book value of land and buildings may be further analysed as follows:

	2020 £000	<i>2019 £000</i>
Short leasehold	-	25

VEOLIA WATER PROJECTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

16. Debtors: amounts falling due within one year

	2020	<i>2019</i>
	£000	<i>£000</i>
Trade debtors	824	<i>934</i>
Amounts owed by Group fellow subsidiaries	618	<i>578</i>
Short-term loans to Group fellow subsidiaries	1,720	<i>2,885</i>
Other taxation debtor	155	<i>167</i>
Contract assets	746	<i>666</i>
Prepayments	74	<i>670</i>
	4,137	<i>5,900</i>

17. Creditors: amounts falling due within one year

	2020	<i>2019</i>
	£000	<i>£000</i>
Trade creditors	407	<i>354</i>
Amounts owed to Group fellow subsidiaries	408	<i>273</i>
Amounts owed to Group joint ventures	-	<i>3</i>
Corporation tax	193	<i>235</i>
Other taxation and social security	51	<i>81</i>
Lease liabilities	14	<i>42</i>
Other creditors	324	<i>834</i>
Contract liabilities	1,607	<i>1,395</i>
Accruals	1,711	<i>1,380</i>
	4,715	<i>4,597</i>

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

	2020	<i>2019</i>
	£000	<i>£000</i>
Lease liabilities	11	<i>11</i>

VEOLIA WATER PROJECTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

19. Lease liabilities

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

Land and Buildings – between 2 and 5 years
Vehicles and other transport equipment – 5 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	53	87
Additions	21	-
Accretion of interest	-	1
Disposal	(9)	(10)
Repayments	(40)	(40)
Revaluation	-	15
	<u>25</u>	<u>53</u>
At 31 December	<u>25</u>	<u>53</u>

Lease liabilities are due as follows:

Within one year	14	42
After one year but no more than five years	11	11
	<u>25</u>	<u>53</u>

Contractual undiscounted cash flows due are as follows:

Within one year	14	42
After one year but no more than five years	11	14
	<u>25</u>	<u>56</u>
Less finance charges allocated to future periods	-	(3)
	<u>25</u>	<u>53</u>

VEOLIA WATER PROJECTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

20. Share capital

	2020	<i>2019</i>
	£000	<i>£000</i>
Allotted, called up and fully paid		
250,000 (2019: 250,000) ordinary shares of £1.00 each	250	<i>250</i>

21. Share premium

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

22. Capital commitments

At 31 December 2020 the Company had capital commitments as follows:

	2020	<i>2019</i>
	£000	<i>£000</i>
Vehicles, plant and equipment	20	<i>20</i>

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 and 17.

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

Trading transactions

	2020	<i>2019</i>
	£000	<i>£000</i>
Purchases of goods and services		
Group joint ventures	31	<i>20</i>

24. Post balance sheet events

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

VEOLIA WATER PROJECTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

25. Immediate parent and controlling party

The immediate parent company is Veolia Water Outsourcing 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 Projects Limited, are currently prepared.