Registered number: 05630642

Glen Water Limited

Annual report

for the year ended 31 March 2013

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Glen Water Limited

Annual report for the year ended 31 March 2013

Content

Glen Water Limited

Directors and advisers

Directors

J M Dean
P C Grammer
M R Saunders
A Dench

Alternate director

R T Hudson (Alternate director for M R Saunders)

Company secretary

T A Styant

Registered office

Bridge Place
Anchor Boulevard
Admirals Park Crossways
Dartford
Kent
DA2 6SN

Bankers

Bank of Ireland Limited
Bow Bells House
1 Bread Street
London
EC3M 8BA

Depfa Bank Plc
1 Commons Street
Dublin 1

Solicitors

Pinsent Masons LLP
5 Old Bailey
London
EC4M 7BA

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Waterfront Plaza
8 Laganbank Road
Belfast
BT1 3LR

Directors' report for the year ended 31 March 2013

The directors present their report and the audited financial statements of the company for the year ended 31 March 2013

Principal activities, review of business and future developments

The principal activity of the company is the designing, building, financing and operation, including the provision of wastewater treatment and sludge disposal services, of a series of waste water treatment plants and sludge incinerators in Northern Ireland

The company's results for the year and its financial position at the end of the year were considered to be satisfactory by the directors who expect the company to maintain its present level of activity in future periods

Results

The company made a loss of £1,530,000 during the year (2012 £2,562,000)

The company has recurring accounting losses and accordingly net liabilities In view of the structure of the company's Private Finance Initiative contract with its customer, the company is expected to continue to make accounting losses until 2018 and is expected to have negative liabilities until 2024 However, the company is cash generative and is forecast to remain cash positive over that period The forecast cash generated is adequate to meet the company's liabilities as they fall due over the next 12 months including the scheduled partial repayment of capital and interest on the company's bank loan and unsecured loan notes Accordingly in view of the above the Directors consider it appropriate to adopt the going concern basis in the preparation of the financial statements

Principal risks and uncertainties

As the company's services are provided to its customer under a Private Finance Initiative contract, the company's risks are limited to those arising from service performance The risk of failing to meet the required service performance levels is mitigated through the company subcontracting the operation of the water treatment facilities to a company that specialises in managing and operating the water treatment facilities The board closely monitors the service performance level of its facilities to ensure that the required service performance levels are met

Key performance indicators ('KPIs')

The company's key performance indicator is cash generated, which for the year ended 31 March 2013 was an inflow of £4,277,000 (2012 outflow £454,000)

Political and charitable donations

The company made no charitable donations during the year (2012 £nil) No donations for political purposes were made during the year (2012 £nil)

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were

J M Dean
P J C Grammer
M R Saunders
R T Hudson (Alternate director for M R Saunders)
A Dench

Under the terms of the joint venture agreement between Veolia Water Outsourcing Limited and Portfolio Solutions (Northern Ireland) Limited the shareholders of the company's parent undertaking, Glen Water (Holdings) Limited, may appoint directors to that company such that the number of directors representing each shareholder is equal Glen Water (Holdings) Limited appoints directors on the same basis Each duly appointed director may appoint an alternate to attend Board meetings, and who may vote in the absence of the director so appointing Accordingly R T Hudson acts as an alternate director for M R Saunders

Directors' report for the year ended 31 March 2013 (continued)

Directors' Indemnities

The company has made a qualifying third party indemnity provision for the benefit of its directors during the year and it remained in force at the date of this report

Environment

The company recognises its corporate responsibility to carry out its operations whilst minimising environmental impacts The directors' continued aim is to comply with all applicable environmental legislation, prevent pollution and reduce waste wherever possible

Health and safety

The company is committed to achieving the highest practicable standards in health and safety management and strives to make all sites and offices safe environments The board of directors receives regular reports on compliance with the policies and procedures established by the shareholders and in respect of the company's performance against the standards set out in those policies

Financial risk management

The company's operations expose it to a variety of financial risks that include credit risk, liquidity risk and interest rate risk The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring these risks

Given the size of the company, the directors have retained the responsibility of monitoring financial risk management and have not delegated this responsibility to a sub-committee of the board The policies set by the board of directors are implemented by the company's finance department

Credit risk

As the company's customer is a government owned company, exposure to credit risk is limited

Liquidity risk

The company's exposure to liquidity risk is limited as it has sufficient cash reserves to fund short term working capital requirements, whilst its contract with its customer generates sufficient monies to meet the company's obligations under its bank loan and loans from related parties

Interest rate risk

The company has both interest bearing assets and interest bearing liabilities Interest bearing assets consist of cash balances which earn interest at variable rates Interest bearing liabilities consist of bank loans on which the company pays variable rates of interest and loans from related parties which the company pays fixed rates of interest The company has entered into interest rate swaps in order to hedge the interest rate cash flow risk arising from its variable rate bank debt

Directors' report for the year ended 31 March 2013 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

Statement of disclosure of information to auditors

So far as each of the directors in office at the date of approval of these financial statements is aware

- there is no relevant audit information of which the company's auditors are unaware, and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Medium companies' exemption

This report has been prepared in accordance with the special provisions relating to medium-sized companies within Part 15 of the Companies Act 2006

On behalf of the Board

J M Dean
Director
Date 18/12/13

Independent auditors' report to the members of Glen Water Limited

We have audited the financial statements of Glen Water Limited for the year ended 31 March 2013, which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its loss and cash flows 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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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

Kevin MacAllister (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Belfast
30 December 2013

Profit and loss account for the year ended 31 March 2013

	Notes	2013 £'000	2012 £'000
Turnover	2	**24,592**	23,085
Operating expenses	3	**(17,292)**	(15,952)
Operating profit	4	**7,300**	7,133
Interest payable and similar charges (net)	5	**(9,256)**	(9,569)
Loss on ordinary activities before taxation		**(1,956)**	(2,436)
Tax credit/(charge) on loss on ordinary activities	8	**426**	(126)
Loss for the financial year	15	**(1,530)**	(2,562)

All amounts above relate to continuing operations of the company

The company has no recognised gains and losses for 2013 or 2012 other than those included in the profit and loss account

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial year stated above, and their historical cost equivalents

The notes on page 9 to 17 form part of the financial statements

Glen Water Limited

Balance sheet as at 31 March 2013

	Notes	2013 £'000	2012 £'000
Fixed assets			
Tangible assets	9	**118,375**	123,097
Current assets			
Debtors	10	**4,336**	11,478
Cash at bank and in hand		**22,154**	17,877
		26,490	29,355
Creditors. amounts falling due within one year	11	**(12,327)**	(13,233)
Net current assets		**14,163**	16,122
Total assets less current liabilities		**132,538**	139,219
Creditors amounts falling due after more than one year	12	**(139,780)**	(145,255)
Provisions for liabilities and charges	13	**(3,117)**	(2,793)
Net liabilities		**(10,359)**	(8,829)
Capital and reserves			
Called up share capital	14	**1**	1
Profit and loss account	15	**(10,360)**	(8,830)
Total shareholders' deficit	16	**(10,359)**	(8,829)

The financial statements on pages 6 to 17 were approved by the Board of directors and were signed on its behalf by

J M Dean
Director
Date
18/12/13

M R Saunders
Director
Date
18/12/13

Cash flow statement for the year ended 31 March 2013

	Note	2013 £'000	2012 £'000
Net cash inflow from operating activities	17	**17,515**	9,532
Taxation			
Receipt in respect of surrender of tax losses		-	2,951
Returns on investments and servicing of finance			
Interest received		**228**	116
Interest paid		**(9,549)**	(8,920)
		(9,321)	(8,804)
Capital expenditure			
Purchase of tangible fixed assets		**(72)**	(1,204)
Financing			
Repayment of bank loans and subordinated loan notes		**(3,845)**	(2,929)
Increase/(decrease) in cash in the year	17	**4,277**	(454)

Reconciliation of net cash flow to movement in net debt for the year ended 31 March 2013

	Note	2013 £'000	2012 £'000
Increase/(decrease) in cash in the year -	17	**4,277**	(454)
Cash out flow from decrease in debt	17	**3,845**	2,929
Change in net debt resulting from cash flows		**8,122**	2,475
Non-cash changes	17	**(50)**	(785)
Net debt at 1 April 2012	17	**(131,234)**	(132,924)
Net debt at 31 March 2013	17	**(123,162)**	(131,234)

Notes to the financial statements for the year ended 31 March 2013

1 Accounting policies

These financial statements are prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom The principal accounting policies which have been applied consistently throughout the year are set out below

The company has recurring accounting losses and accordingly net liabilities In view of the structure of the company's Private Finance Initiative contract with its customer, the company is expected to continue to make accounting losses until 2018 and is expected to have negative liabilities until 2024 However, the company is cash generative and is forecast to remain cash positive over that period The forecast cash generated is adequate to meet the company's liabilities as they fall due over the next 12 months including the scheduled partial repayment of capital and interest on the company's bank loan and unsecured loan notes Accordingly in view of the above the Directors consider it appropriate to adopt the going concern basis in the preparation of the financial statements

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned

The useful economic lives of the assets are as follows

Infrastructure assets	-	24 years
Building & concrete structures	-	24 years
Pumping equipment	-	20 years
Other equipment	-	7 to 15 years

Assets in the course of construction are included in tangible fixed assets at their purchase cost and are depreciated from the date on which they are brought into use

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the company's taxable profit and its results as stated in the financial statements Deferred tax assets are recognised to the extent that they are regarded as recoverable Deferred tax assets are regarded as recoverable to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted Deferred tax assets and liabilities have not been discounted

Interest capitalised

Interest costs and similar charges attributable to assets in the course of construction are capitalised to those assets without deduction of tax relief Capitalisation of interest ceases when substantially all the activities that are necessary to get the asset ready for use are complete

Borrowings

Bank loans are stated at the fair value of the consideration received after deduction of issue costs Issue costs together with finance costs are charged to the profit and loss account over the term of the borrowings

Accounting for Private Finance Initiative contracts

The company has adopted the provisions of FRS 5 'Reporting the substance of transactions' (Application Note F) in determining the appropriate treatment of the principal assets of, and income streams from, PFI and similar contracts Where it can be demonstrated that the balance of risks and rewards derived from the underlying asset are not borne by the company, the asset created and/or provided under the contract is accounted for as a finance lease receivable under SSAP 21 or as a financial asset under FRS 5, otherwise, it is classified as a fixed asset

Notes to the financial statements for the year ended 31 March 2013

1 Accounting policies (continued)

Turnover

Turnover represents invoiced amounts in respect of the provision of water and sewerage services during the year Turnover is shown net of value added tax Turnover in respect of the provision of water and sewerage services is recognised on the basis of daily usage

Derivative financial instruments

The company uses derivative financial instruments to reduce exposure to interest rate risk The company does not hold or issue derivative financial instruments for speculative purposes For an interest rate swap to be treated as a hedge the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a fixed rate to a variable rate or vice versa Interest differentials under these swaps are recognized in the profit and loss account over the periods of the contract

2 Turnover

Turnover relates to the company's main activity which is carried out in the United Kingdom

3 Operating expenses

	2013	2012
	£'000	£'000
Cost of sales	**17,141**	15,820
Administrative expenses	**151**	132
	17,292	15,952

4 Operating profit

	2013	2012
	£'000	£'000
Operating profit is stated after charging		
Depreciation of tangible fixed assets	**7,400**	7,339
Fees payable to the company's auditors in respect of the audit of the company's financial statements	**8**	8
Fees payable to the company's auditors in respect of taxation services	**13**	30

5 Interest payable and similar charges (net)

	2013	2012
	£'000	£'000
Interest payable on bank loans	**7,961**	8,140
Interest payable on unsecured loan notes	**1,473**	1,532
Other finance costs	**50**	50
Total interest payable	**9,484**	9,722
Interest receivable on bank deposits	**(228)**	(116)
Other interest receivable	**-**	(37)
Total interest receivable	**(228)**	(153)
Net interest payable	**9,256**	9,569

Notes to the financial statements for the year ended 31 March 2013

6 Employee information

The company did not employ any individuals during the year (2012 None)

7 Directors' emoluments

The directors did not receive any remuneration in respect of their services to the company during the year (2012 £nil)

8 Tax credit/(charge) on loss on ordinary activities

	2013 £'000	2012 £'000
Current tax		
Adjustments in respect of previous periods – consortium relief	-	4,691
Deferred tax		
Origination and reversal of timing differences	315	443
Change in tax rates	117	270
Adjustments in respect of previous periods	(6)	(5,530)
Total deferred tax credit/(charge)	426	(4,817)
Tax credit/(charge) on loss on ordinary activities	426	(126)

The tax assessed for the year differs from the standard rate of Corporation Tax in the UK of 24% (2012 26%) The differences are explained below

	2013 £'000	2012 £'000
Loss on ordinary activities before tax	(1,956)	(2,436)
Loss on ordinary activities multiplied by standard rate in the UK 24% (2012 26%)	(470)	(633)
Effects of:		
Expenses not deductible for tax purposes	141	156
Change in tax rates	14	34
Origination and reversal of timing differences	315	443
Adjustments in respect of previous periods – consortium relief	-	4,691
Current tax charge for the year	-	4,691

Factors affecting future tax charges:

The standard rate of corporation tax in the UK reduced from 26% to 24% with effect from 1 April 2012 and accordingly the company's losses for the financial year were taxed at an effective rate of 24% During the year, as a result of the changes in the UK main corporation tax rate to 23%, that was substantively enacted on 3 July 2012 and that will be effective from 1 April 2013, the relevant deferred tax balances have been re-measured

Further reductions to the UK corporation tax rate were announced in the March 2013 Budget These changes to the main rate will reduce the tax rates by a further 2% to 21% from 1 April 2014 and to 20% from 1 April 2015 These changes in the corporation tax rate from 23% to 20% had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements The overall effect of the further changes from 23% to 20%, if these applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax liability by £309,000

Notes to the financial statements for the year ended 31 March 2013

9 Tangible fixed assets

	Infrastructure assets £'000	Building & concrete structures £'000	Pumping equipment £'000	Other equipment £'000	Total £'000
Cost					
At 1 April 2012	16,536	48,466	69,172	10,860	145,034
Additions & reclassifications	758	1,880	34	6	2,678
At 31 March 2013	**17,294**	**50,346**	**69,206**	**10,866**	**147,712**
Accumulated depreciation					
At 1 April 2012	2,496	6,929	8,963	3,549	21,937
Charge for the year	706	2,177	3,489	1,028	7,400
At 31 March 2013	**3,202**	**9,106**	**12,452**	**4,577**	**29,337**
Net book amount					
At 31 March 2013	**14,092**	**41,240**	**56,754**	**6,289**	**118,375**
At 31 March 2012	14,040	41,537	60,209	7,311	123,097

Interest and other finance costs capitalised as at 31 March 2013 amount to £8,809,000 (2012 £9,279,000), which is stated after accumulated depreciation of those capitalised costs of £1,819,000 (2012 £1,347,000)

10 Debtors

	2013 £'000	2012 £'000
Trade debtors	**4,129**	8,382
Amounts owed by related parties	**40**	2,620
Other debtors	**167**	476
	4,336	11,478

11 Creditors: amounts falling due within one year

	2013 £'00	2012 £'000
Bank loan	**3,607**	2,952
Unsecured loan notes due 2031	**1,929**	904
Trade creditors	**148**	94
Amounts owed to related parties	**3,386**	6,318
Other creditors	**286**	286
Accruals and deferred income	**2,971**	2,679
	12,327	13,233

The bank loan is secured by a fixed and floating charge over the assets of the company and by way of guarantees given by the parent undertakings of the corporate shareholders

Notes to the financial statements for the year ended 31 March 2013

12 Creditors: amounts falling due after more than one year

	2013	2012
	£'000	£'000
Bank loan	126,079	129,686
Unsecured loan notes due 2031	13,701	15,569
	139,780	145,255

The bank loan is secured by a fixed and floating charge over the assets of the company and by way of guarantees given by the parent undertakings of the corporate shareholders and is repayable in varying instalments commencing 31 December 2011 with full repayment due by 31 December 2030 The loan carries interest at a rate of LIBOR plus 0 95% to 1 15% The unsecured subordinated loan notes are repayable in varying instalments commencing 31 December 2011 with full repayment due by 31 December 2031 and carry interest at a rate of 9% per annum

The maturity of the bank loan and unsecured loan notes is as follows

	2013	2012
	£'000	£'000
Within one year	5,536	3,856
Between one and two years	4,558	3,781
Between two and five years	16,434	15,040
In more than five years	118,788	126,434
	145,316	149,111

The bank loan and unsecured loan notes are stated net of unamortised issue costs of £933,000 (2012 £983,000) All amounts falling due after more than five years are repayable by instalments

13 Provisions for liabilities and charges

	Provision for deferred tax £'000	Decommissioning provision £'000	Total £'000
At 1 April 2012	(2,793)	-	(2,793)
Credited to the profit and loss account	426	-	426
Arising on additions	-	(750)	(750)
At 31 March 2013	**(2,367)**	**(750)**	**(3,117)**

	2013	2012
	£'000	£'000
Deferred taxation is provided as follows:		
Tax losses	9,198	8,999
Excess of depreciation over capital allowances	(9,541)	(9,565)
Timing differences in respect of capitalised interest	(2,024)	(2,227)
	(2,367)	(2,793)

The company has tax losses of approximately £39,992,000 (2012 £37,495,000) available for offset against future trading profits The company has a deferred tax asset of approximately £9,198,000 (2012 £8,999,000) arising from these tax losses

Decommissioning Provision

The decommissioning provision relates to the anticipated costs that are required to be carried out at the sludge facilities at the end of their use

Notes to the financial statements for the year ended 31 March 2013

14 Called up share capital

	2013 £'000	2012 £'000
Allotted and fully paid		
1,000 (2012 1,000) ordinary shares of £1 each	**1**	1

15 Profit and loss account

	£'000
At 1 April 2012	(8,830)
Loss for the financial year	(1,530)
At 31 March 2013	**(10,360)**

16 Reconciliation of movements in shareholders' deficit

	2013 £'000	2012 £'000
Loss for the financial year	**(1,530)**	(2,562)
Opening shareholders' deficit	**(8,829)**	(6,267)
Closing shareholders' deficit	**(10,359)**	(8,829)

17 Notes to the cash flow statement

Reconciliation of operating profit to net cash flow from operating activities	2013 £'000	2012 £'000
Operating profit	**7,300**	7,133
Depreciation of tangible fixed assets	**7,400**	7,339
Movement in debtors	**5,286**	(191)
Movement in creditors	**(2,471)**	(4,749)
Net cash inflow from operating activities	**17,515**	9,532

Notes to the financial statements for the year ended 31 March 2013

17 Notes to the cash flow statement (continued)

Analysis of net debt	At 1 April 2012 £'000	Cash Flow £'000	Non-cash changes £'000	At 31 March 2013 £'000
Cash at bank and in hand	17,877	**4,277**	-	**22,154**
Bank loan due within one year	(2,952)	**3,002**	**(3,657)**	**(3,607)**
Bank loan due after more than one year	(129,686)	-	**3,607**	**(126,079)**
Unsecured loan notes	(16,473)	**843**	-	**(15,630)**
Debt	(149,111)	**3,845**	**(50)**	**(145,316)**
Net debt	(131,234)	**8,122**	**(50)**	**(123,162)**

Non-cash changes represent amortisation of capitalised finance fees, interest rolled into loans and reanalysis of debt due after more than one year to debt due within one year

18 Related party transactions and ultimate controlling party

Transactions with related parties were as follows

Name of related party (relationship)	Nature of transaction	Amount of transaction 2013 £'000	Amount of transaction 2012 £'000
Portfolio Solutions (Northern Ireland) Limited	Operating charges	**(82)**	(79)
(Shareholder)	Loan notes repayments	**(422)**	(366)
	Interest charged	**(736)**	(766)
Veolia Water Outsourcing Limited (Shareholder)	Costs in respect of assets under the course of construction	-	(1,184)
	Operating charges	**(8,937)**	(8,450)
	Cost of sales	-	-
	Loan notes repayments	**(422)**	(366)
	Interest charged	**(736)**	(766)
Laing O'Rourke/Veolia Water joint venture entity (Common interest)	Cost of sales	-	(8)

Notes to the financial statements for the year ended 31 March 2013

18 Related party transactions and ultimate controlling party (continued)

Balances with related parties were as follows

Name of related party		Amount owed by/(to) related party 2013 £'000	Amount owed by/(to) related party 2012 £'000
Portfolio Solutions (Northern Ireland) Limited	Shareholder loans and interest	**(7,993)**	(8,427)
	Other balances	**60**	60
Veolia Water Outsourcing Limited	Shareholder loans and interest	**(7,993)**	(8,427)
	Other balances	**(3,409)**	(6,341)
	Consortium relief	**-**	1,741
Laing O'Rourke/Veolia Water joint venture entity	Retention	**(286)**	(286)
	Other balances	**-**	841

There is no ultimate controlling party

19 Contingent liability

The company has received a number of claims from its operating and construction contractors (both of whom are considered to be related parties by virtue of common shareholders) in respect of the operation and construction of the company's water treatment and sludge facilities These claims amount to approximately £41 7 million

The company has delegated the construction and operation of its facilities to related entities These activities are sub-contracted to a construction contractor (which is a joint venture between the same shareholders as the company) and to an operating contractor (which is a shareholder of the company) and therefore any issues arising are considered by the directors to be the responsibility of one or more of the company's customer, the construction contractor and / or the operating contractor

In the event that issues arising are assessed to be the responsibility of the company's customer then the company will formally have to make the claim on its customer Under the agreements with the company's related construction and operating contractors, the company is required to pay across the benefit of any successful claims against its customer to the construction and operating contractors

In the event that issues arising are assessed not to be the responsibility of the company's customer then under the agreements with and between the company's related construction and operating contractors, the construction and operating contractors will be required to make those claims directly of each other

Consequently the directors consider that the likelihood of losses arising from these claims to be low

20 Financial instruments

The company has entered into interest rate swap agreements with certain financial institutions in order to swap the variable interest arising on the company's bank loan with fixed interest As at 31 March 2013 the fair value of the company's interest swap agreements are a liability of £37 0m (2012 £32 1m)

21 Ultimate parent undertaking

The immediate and ultimate parent undertaking is Glen Water (Holdings) Limited, a company incorporated in England and Wales Group financial statements for this company are prepared and are available to the public from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ

Notes to the financial statements for the year ended 31 March 2013

22 Capital commitments

	2013	2012
	£'000	£'000
Capital expenditure		
Contracted for but not provided in the financial statements	-	1,856