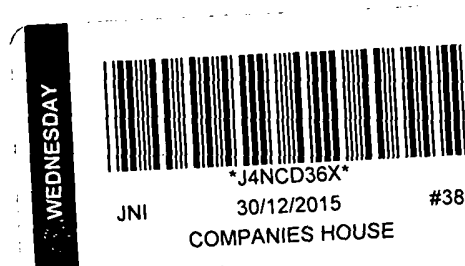
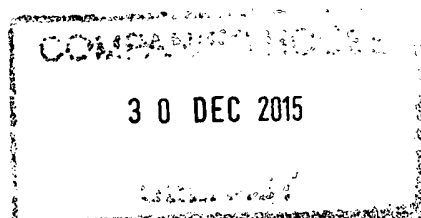


Glen Water Limited

Annual report

for the year ended 31 March 2015



Glen Water Limited

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Glen Water Limited

Company information

Directors

J M Dean (resigned 24 September 2015)
P C Grammer (resigned 31 October 2014)
M R Saunders (resigned 27 May 2015)
C Belynck (resigned 27 May 2015)
T Ryan (appointed 17 December 2014 and resigned 22 December 2014)
R Bailey (appointed 27 May 2015)
N Patterson (appointed 29 June 2015)
C Garrett (appointed 29 June 2015)
G Whalley (appointed 10 June 2015)
C Tuckett (appointed 10 June 2015 and resigned 24 September 2015)

Company secretary

T A Styant

Registered number

05630642

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

Glen Water Limited

Strategic report for the year ended 31 March 2015

The directors present their strategic report on the company for the year ended 31 March 2015.

Principal activity, 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 has recorded a loss on ordinary activities before taxation in the year of £1,223,000 (2014: profit £1,589,000) on turnover of £29,646,000 (2014: £26,111,000). This includes exceptional income of £nil (2014: £3,500,000) relating to compensation for errors in the model relating to the PPP project.

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.

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 levels are met.

Key performance indicators

The group's key performance indicator is cash generated, which for the year ended 31 March 2015 was an inflow of £3,618,000 (2014: outflow £760,000).

Environment

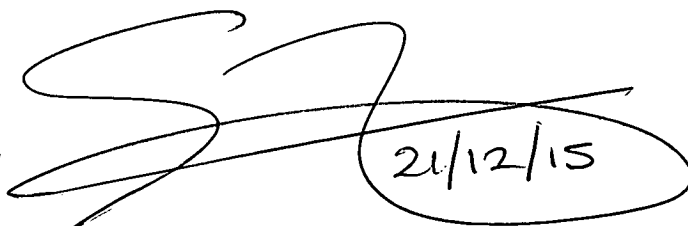
The company recognises its corporate responsibility to carry out its operations whilst minimising environmental impacts. The directors' continued aim is to comply with all applicable environmental legislation, prevent pollution and reduce waste wherever possible.

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.

This report was approved by the board on 21 December 2015 and signed on its behalf.

**G Whalley
Director**



Glen Water Limited

Directors' report for the year ended 31 March 2015

The directors present their report and the audited financial statements of the company for the year ended 31 March 2015.

Future developments

The section on future developments which is detailed in the Strategic report, is included in this report by cross reference.

Results

The company made a loss, for the financial year of £1,223,000 (2014 - profit £1,589,000). This includes exceptional income of £nil (2014: £3,500,000) received as compensation for errors in model relating to PPP project. No interim or final dividends were paid during the year (2014: £nil).

The company has recurring accounting losses (excluding exceptional income of £3.5m in prior year) 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.

Going concern

On 19 October 2015 the company received correspondence from the Bank of Ireland regarding an event of default. The event of default alleged by the Senior Lenders in its letter of 19 October 2015, relates to a breach by the company of its reporting obligations under the Project Agreement with Northern Ireland Water Limited in respect of the year 2015. The Bank of Ireland have not issued any notification regarding the acceleration of debt repayments and have indicated that, as of the date of signing these financial statements, that they are not proposing to seek repayment of the debt other than in accordance with the facility agreement. Accordingly the company's bank liabilities remain payable in the amounts disclosed in note 13 to the financial statements. In light of the above, and the company's cash balances and the projected cash inflows before financing, the Directors have prepared the financial statements on a going concern basis.

Political contributions

No donations for political purposes were made during the year (2014: £nil).

Glen Water Limited

Directors' report for the year ended 31 March 2015 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 (resigned 24 September 2015)
P C Grammer (resigned 31 October 2014)
M R Saunders (resigned 27 May 2015)
C Bellynch (resigned 27 May 2015)
T Ryan (appointed 17 December 2014 and resigned 22 December 2014)
R Bailey (appointed 27 May 2015)
N Paterson (appointed 29 June 2015)
C Garrett (appointed 29 June 2015)
G Whalley (appointed 10 June 2015)
C Tuckett (appointed 10 June 2015 and resigned 24 September 2015)

Under the terms of the joint venture agreement between Veolia Water Outsourcing Limited and Portfolio Solutions (Northern Ireland) Limited the shareholders of Glen Water (Holdings) Limited, may appoint directors to that company such that the number of directors representing each shareholder is equal. Each duly appointed director may appoint an alternate to attend Board meetings, and who may vote in the absence of the director so appointing.

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.

**Directors' report
for the year ended 31 March 2015**

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.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic, 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 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 judgements and accounting estimates that are reasonable and prudent; and
- 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.

Glen Water Limited

**Directors' report
for the year ended 31 March 2015**

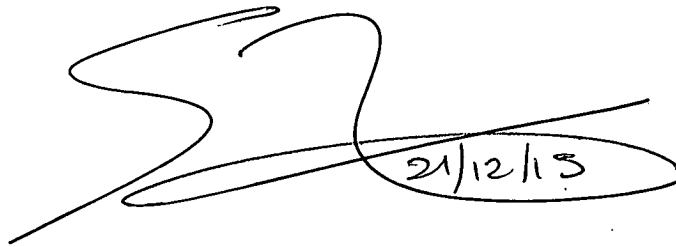
Statement of disclosure of information to auditors

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

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- that 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 auditors are aware of that information.

This report was approved by the board on 21 December 2015 and signed on its behalf.

G Whalley
Director

A handwritten signature in black ink, consisting of a large, stylized 'G' followed by a horizontal line. Below the horizontal line, the date '21/12/15' is written and circled.

Independent auditors' report to the members of Glen Water Limited

Report on the financial statements

Our opinion

In our opinion Glen Water's financial statements ("the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2015 and of its loss for the year then ended;
 - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
-

What we have audited

Glen Water Limited's financial statements, comprise:

- the balance sheet as at 31 March 2015;
- the profit and loss account for the year then ended;
- the cashflow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK & Ireland) ("ISAs (UK & Ireland)"). 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 Directors' Report and financial statements (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinions on matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

Glen Water Limited

Independent auditors' report to the members of Glen Water Limited

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

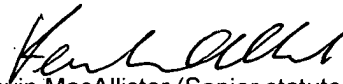
Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & 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.


Kevin MacAllister (Senior statutory auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Waterfront Plaza
Belfast
BT1 3LR

23 December 2015

Glen Water Limited

**Profit and loss account
for the year ended 31 March 2015**

	Note	2015 £000	2014 £000
Turnover	1,2	29,646	26,111
Operating expenses	3	(22,559)	(18,748)
Exceptional item - other operating income	3	-	3,500
Total operating expenses		(22,559)	(15,248)
Operating profit	4	7,087	10,863
Interest receivable and similar income		157	160
Interest payable and similar charges	5	(8,737)	(9,116)
(Loss)/profit on ordinary activities before taxation		(1,493)	1,907
Tax credit/(charge) on (loss)/profit on ordinary activities	9	270	(318)
(Loss)/profit for the financial year	17	(1,223)	1,589

All amounts above relate to continuing operations of the company.

There were no recognised gains and losses for 2015 or 2014 other than those included in the profit and loss account.

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

The notes on pages 12 to 22 form part of these financial statements.

Glen Water Limited
Registered number: 05630642

Balance sheet
as at 31 March 2015

	Note	£000	2015 £000	2014 £000
Fixed assets				
Tangible assets	10		103,831	111,118
Current assets				
Debtors	11	4,015		4,390
Cash at bank and in hand		25,012		21,394
		<u>29,027</u>		<u>25,784</u>
Creditors: amounts falling due within one year	12	<u>(12,350)</u>		<u>(9,809)</u>
Net current assets			<u>16,677</u>	<u>15,975</u>
Total assets less current liabilities			<u>120,508</u>	<u>127,093</u>
Creditors: amounts falling due after more than one year	13		<u>(127,336)</u>	<u>(132,428)</u>
Provision for liabilities				
Deferred tax	14	(2,415)		(2,685)
Decommissioning provision	15	<u>(750)</u>		<u>(750)</u>
			<u>(3,165)</u>	<u>(3,435)</u>
Net liabilities			<u><u>(9,993)</u></u>	<u><u>(8,770)</u></u>
Capital and reserves				
Called up share capital	16		1	1
Profit and loss account	17		<u>(9,994)</u>	<u>(8,771)</u>
Total shareholders' deficit	18		<u><u>(9,993)</u></u>	<u><u>(8,770)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 December 2015.

N Paterson
Director

N Paterson
21/12/15

G Whalley
Director

G Whalley
21/12/15

The notes on pages 12 to 22 form part of these financial statements.

Glen Water Limited

Cash flow statement for the year ended 31 March 2015

	Note	2015 £000	2014 £000
Net cash flow from operating activities	19	17,032	16,841
Returns on investments and servicing of finance	20	(8,602)	(9,030)
Capital expenditure and financial investment	20	(205)	(191)
Cash inflow before financing		8,225	7,620
Financing	20	(4,607)	(8,380)
Increase/(decrease) in cash in the year		3,618	(760)

Reconciliation of net cash flow to movement in net debt for the year ended 31 March 2015

	2015 £000	2014 £000
Increase/(decrease) in cash in the year	3,618	(760)
Cash outflow from decrease in debt and lease financing	4,607	8,380
Change in net debt resulting from cash flows	8,225	7,620
Other non-cash changes	(49)	(50)
Movement in net debt in the year	8,176	7,570
Net debt at 1 April	(115,592)	(123,162)
Net debt at 31 March	(107,416)	(115,592)

The notes on pages 12 to 22 form part of these financial statements.

**Notes to the financial statements
for the year ended 31 March 2015**

1. Accounting policies

1.1 Basis of preparation of financial statements

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 (excluding exceptional income of £3.5m in prior year) 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.

1.2 Going concern

On 19 October 2015 the company received correspondence from the Bank of Ireland regarding an event of default. The event of default alleged by the Senior Lenders in its letter of 19 October 2015, relates to a breach by the company of its reporting obligations under the Project Agreement with Northern Ireland Water Limited in respect of the year 2015. The Bank of Ireland have not issued any notification regarding the acceleration of debt repayments and have indicated that, as of the date of signing these financial statements, that they are not proposing to seek repayment of the debt other than in accordance with the facility agreement. Accordingly the company's bank liabilities remain payable in the amounts disclosed in note 13 to the financial statements. In light of the above, and the company's cash balances and the projected cash inflows before financing, the Directors have prepared the financial statements on a going concern basis.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical 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 and concrete structures	-	24 years
Pumping equipment	-	20 years
Other equipment	-	7 to 15 years

1.4 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.

**Notes to the financial statements
for the year ended 31 March 2015**

1. Accounting policies (continued)

1.5 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.

1.6 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.

1.7 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.

1.8 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.

1.9 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 recognised 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

	2015 £000	2014 £000
Cost of sales	22,509	18,508
Administrative expenses	50	240
Exceptional item - other operating income	-	(3,500)
	<u>22,559</u>	<u>15,248</u>

The exceptional item above relates to claim received during the prior year as compensation for errors in the model relating to the PPP project.

Glen Water Limited

Notes to the financial statements for the year ended 31 March 2015

4. Operating profit

The operating profit is stated after charging:

	2015 £000	2014 £000
Depreciation of tangible fixed assets: - owned by the company	7,492	7,448
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	7	9
	<u>7,507</u>	<u>7,465</u>

5. Interest payable and similar charges

	2015 £000	2014 £000
Interest payable on bank loans	7,477	7,744
Interest payable on unsecured loan notes	1,210	1,322
Other finance costs	50	50
	<u>8,737</u>	<u>9,116</u>

6. Interest receivable and similar income

	2015 £000	2014 £000
Interest receivable on bank deposits	157	160
	<u>157</u>	<u>160</u>

7. Employee information

The company did not employ any individuals during the year (2014: None).

8. Directors' emoluments

The directors did not receive any remuneration in respect of their services to the company during the year (2014: £nil).

Glen Water Limited

**Notes to the financial statements
for the year ended 31 March 2015**

9. Tax (credit)/charge on (loss)/profit on ordinary activities

	2015	2014
	£000	£000
Analysis of tax charge in the year		
Deferred tax		
Origination and reversal of timing differences	(157)	593
Change in tax rates	(113)	(206)
Adjustments in respect of previous periods	-	(69)
Total deferred tax (see note 14)	(270)	318
Tax (credit)/charge on loss on ordinary activities	(270)	318

Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of Corporation Tax in the UK of 21% (2014 - 23%). The differences are explained below:

	2015	2014
	£000	£000
(Loss)/profit on ordinary activities before tax	(1,493)	1,907
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2014 - 23%)	(313)	439
Effects of:		
Expenses not deductible for tax purposes	156	154
Origination and reversal of timing differences	157	(593)
Current tax charge for the year (see note above)	-	-

Notes to the financial statements
for the year ended 31 March 2015

10. Tangible assets

	Infrastructure assets £000	Buildings and concrete structures £000	Pumping equipment £000	Other equipment £000	Total £000
Cost					
At 1 April 2014	17,294	50,346	69,397	10,866	147,903
Additions	-	-	205	-	205
At 31 March 2015	17,294	50,346	69,602	10,866	148,108
Accumulated depreciation					
At 1 April 2014	3,912	11,297	15,969	5,607	36,785
Charge for the year	710	2,191	3,561	1,030	7,492
At 31 March 2015	4,622	13,488	19,530	6,637	44,277
Net book value					
At 31 March 2015	12,672	36,858	50,072	4,229	103,831
At 31 March 2014	13,382	39,049	53,428	5,259	111,118

Interest and other finance costs capitalised as at 31 March 2015 amount to £7,870,000 (2014: £8,340,000), which is stated after accumulated depreciation of those capitalised costs of £2,758,000 (2014: £2,288,000).

11. Debtors

	2015 £000	2014 £000
Trade debtors	3,773	4,160
Amounts owed by related parties	40	39
Other debtors	202	191
	<u>4,015</u>	<u>4,390</u>

Glen Water Limited

Notes to the financial statements for the year ended 31 March 2015

12. Creditors: Amounts falling due within one year

	2015 £000	2014 £000
Bank loans and overdrafts	4,739	4,235
Unsecured loan notes due 2031	353	323
Trade creditors	237	15
Amounts owed to related parties	4,314	2,100
Other creditors	-	286
Accruals and deferred income	2,707	2,850
	<u>12,350</u>	<u>9,809</u>

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.

13. Creditors: Amounts falling due after more than one year

	2015 £000	2014 £000
Bank loans	114,405	119,144
Unsecured loan notes due 2031	12,931	13,284
	<u>127,336</u>	<u>132,428</u>

The bank loan is secured by a fixed and floating charge over the assets of the group and by way of guarantees given by the parent undertakings of the corporate shareholders and is repayable in varying instalments commencing 31 December 2009 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 2009 with full repayment due by 31 December 2031 and carry interest at a rate of 9% per annum.

**Notes to the financial statements
for the year ended 31 March 2015**

**13. Creditors:
Amounts falling due after more than one year (continued)**

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

	2015 £000	2014 £000
Within one year	5,092	4,558
Between one and two years	5,193	5,092
Between two and five years	18,178	16,711
In more than five years	103,965	110,625
	<u>132,428</u>	<u>136,986</u>

The bank loan and unsecured loan notes are stated net of unamortised issue costs of £834,000 (2014: £883,000).

All amounts falling due after more than five years are repayable by instalments.

14. Deferred taxation

	2015 £000	2014 £000
At beginning of year	2,685	2,367
(Credited)/debited to the profit and loss account	(270)	318
At end of year	<u>2,415</u>	<u>2,685</u>

The provision for deferred taxation is made up as follows:

	2015 £000	2014 £000
Tax losses	7,495	8,003
Excess of depreciation over capital allowances	(8,336)	(8,937)
Timing differences in respect of capitalised interest	(1,574)	(1,751)
	<u>(2,415)</u>	<u>(2,685)</u>

The company has tax losses of approximately £37,473,000 (2014: £38,057,000) available for offset against future trading profits. The company has a deferred tax asset of approximately £7,495,000 (2014: £8,003,000) arising from these tax losses.

15. Provisions

	Decommissioning provision £000
At 1 April 2014 and 31 March 2015	<u>750</u>

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

Glen Water Limited

**Notes to the financial statements
for the year ended 31 March 2015**

16. Called up Share capital

	2015	2014
	£000	£000
Allotted, and fully paid		
1,000 (2014 - 1,000) ordinary shares of £1 each	1	1
	<u> </u>	<u> </u>

17. Profit and loss account

	£000
At 1 April 2014	(8,771)
Loss for the financial year	(1,223)
	<u> </u>
At 31 March 2015	(9,994)
	<u> </u>

18. Reconciliation of movements in shareholders' deficit

	2015	2014
	£000	£000
Opening shareholders' deficit	(8,770)	(10,359)
(Loss)/profit for the financial year	(1,223)	1,589
	<u> </u>	<u> </u>
Closing shareholders' deficit	(9,993)	(8,770)
	<u> </u>	<u> </u>

19. Net cash flow from operating activities

	2015	2014
	£000	£000
Operating profit	7,087	10,863
Depreciation of tangible fixed assets	7,492	7,448
Movement in debtors	375	(55)
Movement in creditors	2,078	(1,415)
	<u> </u>	<u> </u>
Net cash inflow from operating activities	17,032	16,841
	<u> </u>	<u> </u>

20. Analysis of cash flows for headings netted in cash flow statement

	2015	2014
	£000	£000
Returns on investments and servicing of finance		
Interest received	157	160
Interest paid	(8,759)	(9,190)
	<u> </u>	<u> </u>
Net cash outflow from returns on investments and servicing of finance	(8,602)	(9,030)
	<u> </u>	<u> </u>

Notes to the financial statements
for the year ended 31 March 2015

20. Analysis of cash flows for headings netted in cash flow statement (continued)

	2015 £000	2014 £000
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(205)	(191)
	2015 £000	2014 £000
Financing		
Repayment of bank loans and subordinated loan notes	(4,284)	(6,307)
Repayment of other loans	(323)	(2,073)
Net cash outflow from financing	(4,607)	(8,380)

21. Analysis of changes in net debt

	1 April 2014 £000	Cash flow £000	Other non-cash changes £000	31 March 2015 £000
Cash at bank and in hand	21,394	3,618	-	25,012
Debt:				
Debts due within one year	(4,558)	4,607	(5,141)	(5,092)
Debts falling due after more than one year	(132,428)	-	5,092	(127,336)
Net debt	(115,592)	8,225	(49)	(107,416)

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.

Glen Water Limited

Notes to the financial statements for the year ended 31 March 2015

22. Related party transactions

	2015 £000	2014 £000
Portfolio Solutions (Northern Ireland) Limi		
Operating charges	(87)	(85)
Loan notes repayments	(162)	(1,011)
Interest charged	(605)	(661)
Veolia Water Outsourcing Limited (Shareholder)		
Costs in respect of assets under the course of construction	(205)	(191)
Operating charges	(9,671)	(10,272)
Cost of sales	-	-
Loan notes repayments	(162)	(1,011)
Interest charged	(605)	(661)
Laing O'Rourke/Veolis Water joint venture entity(Common interest		
Cost of sales	(4,650)	-

Balances with related parties were as follows:

	2015 £000	2014 £000
Portfolio Solutions (Northern Ireland) Limited		
Shareholder loans and interest	(6,789)	(6,955)
Other balances	60	60
Veolia Water Outsourcing Limited		
Shareholder loans and interest	(6,789)	(6,955)
Other balances	(4,337)	(2,123)
Laing O'Rourke/ Veolis Water joint venture entity		
Retention	-	(286)

**Notes to the financial statements
for the year ended 31 March 2015**

23. 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 £33.8 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.

24. 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 2015 the fair value of the company's interest swap agreements are a liability of £36m (2014: £25.4m).

25. 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.