

Company Registration No. SC291454

ADDIEWELL PRISON LIMITED
Report and Financial Statements

For the year ended 31 March 2013

ADDIEWELL PRISON LIMITED

REPORT AND FINANCIAL STATEMENTS 2013

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ADDIEWELL PRISON LIMITED

DIRECTORS' REPORT

For the year ended 31 March 2013

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

PRINCIPAL ACTIVITIES

The company's business is the design, construction, management and financing of HMP Addiewell in Addiewell, Scotland, for which purpose it entered into a design, construct, manage and fund contract (DCMF) with the Scottish Prison Services ("SPS") on 20 June 2006.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

Addiewell Prison Limited is a Special Purpose Vehicle whose purpose is to design, construct, finance and manage HMP Addiewell. It has a 25 year contract with the SPS, and the company is now in the operational phase of the contract. Total standard operational capacity is 700 male cells. Services include a full guarding service together with lifecycle and maintenance of the prison and will continue until the end of the concession period in December 2033.

There have not been any changes in the company's activities in the year under review, and the directors are not aware, at the date of this report, of any likely changes in the next year.

RESULTS AND DIVIDENDS

The profit for the financial year was £2,317,000 (2012: £1,686,000) which was in line with the cumulative expected results calculated in the 25 year operational model. Dividends of £2,100,000 have been recommended and paid (2012: £2,400,000). This has led to net assets of £1,951,000 (2012: £1,734,000).

KEY PERFORMANCE INDICATORS

The company's operations are managed under the supervision of its shareholders and funders and are monitored by key performance indicators in the private finance initiative ("PFI") contract with the SPS and the subcontract with Sodexo Limited who supply the facilities maintenance services throughout the life of the concession. These key performance indicators are in place to monitor certain operational functions and failure to meet minimum targets result in financial penalties, which are ultimately payable by Sodexo Limited. In the year these penalties amounted to nil (2012: £nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The company's principal activity as detailed above is risk free as its trading relationships with its customer, funders and sub-contractors are determined by the terms of their respective detailed PFI contracts. The PFI contract and Subcontracts with SPS and Sodexo Limited are fixed for the life of the contract and this enables the company to have certainty over its income and major expenses until 2033. Furthermore the company has a Credit Agreement with its lender which fixes the level of borrowing and repayments due until the loan is fully repaid in 2032. Its main exposure is to financial risks as detailed in the following section.

ADDIEWELL PRISON LIMITED

DIRECTORS' REPORT (Continued)

For the year ended 31 March 2013

FINANCIAL RISK MANAGEMENT

The company has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the company's performance. The board has policies for managing each of these risks and they are summarised below:

Interest rate risk

The company hedged its interest rate risk at the inception of the project by swapping its variable rate senior and equity bridge debt into fixed rate by the use of an interest rate swap. The company's variable rate working capital facility is subject to interest rate risk.

Inflation risk

The company's project revenue and most of its operating costs were linked to inflation at the inception of the project, resulting in the operational project cash flows being largely insensitive to inflation.

Liquidity risk

The company adopts a prudent approach to liquidity management by maintaining sufficient cash and liquid resources to meet its obligations. Due to the nature of the project, cash flows are reasonably predictable and hence the company's exposure to liquidity risk is mitigated.

Credit risk

The company will receive all of its revenue from the SPS and therefore is not exposed to significant credit risk.

DIRECTORS

The directors who served throughout the year and up to the date of signing the financial statements were as follows:

S Carter
J Cowdell
C Exford (resigned 3 May 2013)
C Field
M Holden (appointed 3 May 2013)
A Leech
G Quaife (appointed 3 May 2013)
I Renhard

ADDIEWELL PRISON LIMITED

DIRECTORS' REPORT (Continued)

For the year ended 31 March 2013

INDEPENDENT AUDITORS

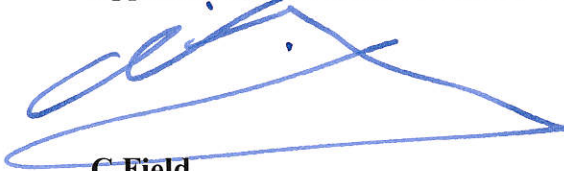
In accordance with Section 418 of the Companies Act 2006, each of the persons who is a director at the date of approval of this report confirm that:

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

(b) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office as auditors and appropriate arrangement have been put in place for them to be deemed reappointed in the absence of an Annual General Meeting.

Approved by the Board of Directors and signed on its behalf



C Field
Director

29 August 2013

ADDIEWELL PRISON LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual 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 judgements 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; 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.

ADDIEWELL PRISON LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ADDIEWELL PRISON LIMITED

We have audited the financial statements of Addiewell Prison Limited for the year ended 31 March 2013 which comprise the Profit and Loss Account, the Balance Sheet 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 Statement 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 directors' 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 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.

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.

ADDIEWELL PRISON LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ADDIEWELL PRISON LIMITED (Continued)

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.



Peter Adams (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Hull
3 September 2013

ADDIEWELL PRISON LIMITED**PROFIT AND LOSS ACCOUNT****For the year ended 31 March 2013**

	Note	2013 £'000	2012 £'000
Turnover		24,558	23,532
Cost of sales		(21,006)	(20,888)
Gross Profit		3,552	2,644
Administrative expenses		(1,012)	(981)
Operating Profit	2	2,540	1,663
Interest receivable and similar income	4	6,749	6,889
Interest payable and similar charges	5	(6,266)	(6,447)
Profit on ordinary activities before taxation		3,023	2,105
Tax on profit on ordinary activities	6	(706)	(419)
Profit for the financial year	13	2,317	1,686

The company has no recognised gains and losses other than those included in the profit and loss account above.

There are no material differences between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

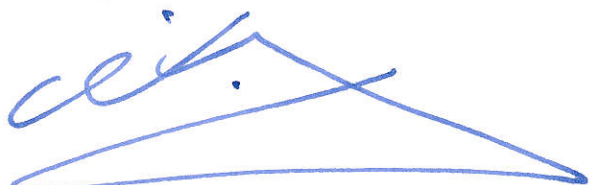
The results for the year relate to continuing operations.

ADDIEWELL PRISON LIMITED**BALANCE SHEET****As at 31 March 2013**

	Notes	2013 £'000	2012 £'000
CURRENT ASSETS			
Debtors:			
Amounts falling due after more than one year	8	92,692	93,902
Amounts falling due within one year	8	5,203	5,270
Cash at bank and in hand		7,184	7,800
		105,079	106,972
CREDITORS: amounts falling due within one year	9	(7,673)	(7,410)
NET CURRENT ASSETS		97,406	99,562
CREDITORS: amounts falling due after more than one year	10	(91,387)	(94,581)
DEFERRED TAX	11	(4,068)	(3,247)
NET ASSETS		1,951	1,734
CAPITAL AND RESERVES			
Called-up share capital	12	-	-
Share premium account		100	100
Profit and loss account	13	1,851	1,634
TOTAL SHAREHOLDERS' FUNDS	14	1,951	1,734

The financial statements of Addiewell Prison Limited, registered number SC291454 on pages 7 to 18, were approved by the Board of Directors and authorised for issue on 29 August 2013.

Signed on behalf of the Board of Directors



C Field
Director

ADDIEWELL PRISON LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 March 2013

1. ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently through the current year, are set out below.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

Basis of preparation

The balance sheet on page 8 shows shareholders' funds at 31 March 2013 of £1,951,000 (2012: £1,734,000). The financial statements have been prepared on a going concern basis as the company has a long term agreement with the Scottish Prison Service which envisages losses in the early years, but overall a substantial profit. The group is currently performing in line with expectations.

Turnover and Private Finance Initiative ("PFI") contract accounting

Turnover, which excludes VAT and originates solely in the United Kingdom, represents amounts receivable from the operation of the prison provided in the normal course of business.

On commencement of its management of the prison, the company recorded a financial asset, being the amounts due for the completed property. This asset was deemed to be sold at fair value and was recorded as turnover at the inception of the lease. This amount reduces each year as payments are received (the "Capital Repayment").

In addition, finance income on this asset is recorded as interest receivable using a project property specific interest rate of 7.38% (the "Imputed Finance Charge").

Facilities management revenue, the remaining PFI payments, are recognised to the extent that the company obtains the right to consideration for providing the contracted services. The company adopts the unitary charge control account treatment, and as such recognises turnover as contract activity progresses at a mark up on costs related to the provision of the contracted services. In line with FRS 5 Application Note G, the mark up is based upon the forecast service revenue and costs over the concession period.

ADDIEWELL PRISON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) **Year Ended 31 March 2013**

1. ACCOUNTING POLICIES (Continued)

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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 profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available, evidence, it can be regarded as more likely that not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Derivative financial instruments

The group holds derivative financial instruments which have the effect of fixing the interest rate payable on bank borrowings. Amounts payable or receivable in respect of interest rate derivatives are recognised as adjustments to interest over the period of the contract.

Cash flow statement

Under the provision of Financial Reporting Standard No. 1 (revised), the company is exempt from the requirement to produce a cash flow statement on the grounds that it is a wholly owned subsidiary of a parent undertaking which has produced a consolidated cash flow statement in its consolidated financial statements.

ADDIEWELL PRISON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Year Ended 31 March 2013

2. OPERATING PROFIT

	2013 £'000	2012 £'000
Operating profit is stated after charging:		
Auditors' remuneration		
- audit fee	7	7
Directors' services	33	32

3. EMPLOYEES AND DIRECTORS

The company has no employees (2012: none).

Amounts paid to related parties for directors' services totalled £32,936 (2012: £31,566).

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2013 £'000	2012 £'000
Interest income on financial asset	6,697	6,841
Bank interest receivable (note 15)	52	48
	6,749	6,889

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2013 £'000	2012 £'000
Interest payable to parent undertaking (note 15)	1,079	1,095
Bank term loan interest payable	5,130	5,300
Other bank loans interest payable	15	10
Other finance costs	42	42
	6,266	6,447

ADDIEWELL PRISON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year Ended 31 March 2013

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2013 £'000	2012 £'000
Current tax		
The tax credit is based on the profit for the year comprises:		
UK corporation tax on profits of the period	(2)	-
Adjustments in respect of prior periods	117	935
	<u>115</u>	<u>935</u>
Deferred tax		
Accelerated capital allowances and other short term timing differences	(470)	(814)
Changes in tax rates or laws	177	270
Losses carried forward	(397)	125
Adjustment in respect of prior periods	(131)	(935)
	<u></u>	<u></u>
Total deferred tax (note 11)	(821)	(1,354)
	<u></u>	<u></u>
Tax on profit on ordinary activities	(706)	(419)
	<u></u>	<u></u>

The tax assessed for the year is lower (2012: lower) than the standard rate of corporation tax in the UK of 24% (2012: 26%).

Profit on ordinary activities before taxation	3,023	2,105
	<u></u>	<u></u>
Profit on ordinary activities at the UK tax rate 24% (2012: 26%)	725	547
Accelerated capital allowances and other short term timing differences	(470)	(814)
Adjustments in respect of prior periods	(117)	(935)
Losses carried forward	(397)	125
Expenses not deductible for tax purposes	144	142
	<u></u>	<u></u>
Total current tax credit	(115)	(935)
	<u></u>	<u></u>

On 1 August 2012 the Company sold a portion of its tax losses (£545,000) to Sodexo Limited, a company within the same group as one of the shareholders, Sodexo Investment Services Limited. These losses have been sold for £117,000 in accordance with the Finance Act regulations on consortium relief and the shareholders agreement.

ADDIEWELL PRISON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Year Ended 31 March 2013

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (Continued)

During the year, the relevant deferred tax balances have been re-measured as a result of the change in the UK main corporation tax rate to 23%, which was substantively enacted on 3 July 2012 and will be effective from 1 April 2013. A further reduction to the UK corporation tax rate was announced in the March 2013 Budget. The change proposes to reduce the rate to 21% for the year beginning 1 April 2014 and 20% for 1 April 2015. The changes have not been substantively enacted at the balance sheet date and, therefore, are not recognised in the financial statements.

7. DIVIDENDS

	2013 £'000	2012 £'000
Equity – Ordinary share		
Interim paid (June): £600,000 (2012: £1,200,000) per £1 share	600	1,200
Interimpaid (December): £1,500,000 (2012: £1,200,000) per £1 share	1,500	1,200
	2,100	2,400

8. DEBTORS

	2013 £'000	2012 £'000
Amounts falling due within one year:		
Trade debtors	3,142	3,254
Prepayments and accrued income	138	230
Financial asset	1,923	1,786
	5,203	5,270
Amounts falling due after more than one year:		
Financial asset	92,692	93,902

The Financial Asset is unsecured and has an imputed finance charge of 7.38% pa. The asset is repayable in instalments over a 25 year period that commenced in 2009.

ADDIEWELL PRISON LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)**
Year Ended 31 March 2013**9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2013	2012
	£'000	£'000
Bank loans and overdrafts (net of unamortised issue costs) (note 10)	4,317	4,217
Amounts owed to parent company (note 15)	105	93
Interest owed to parent company (note 15)	265	271
Amounts due to other related parties (note 15)	2,009	2,157
Corporation tax	2	-
Other taxation and social security	556	554
Accruals and deferred income	419	118
	7,673	7,410

See note 10 for details of terms and security in respect of bank loans.

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2013	2012
	£'000	£'000
Bank loans and overdrafts (net of unamortised issue costs)	82,526	85,615
Amounts owed to parent company (note 15)	8,861	8,966
	91,387	94,581
The maturity analysis of bank loans is:		
Within one year	3,131	2,957
Between one and two years	3,375	3,131
Between two and five years	11,382	10,743
Over five years	68,552	72,567
	86,440	89,398
Less unamortised issue costs	(825)	(868)
	85,615	88,530

ADDIEWELL PRISON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Year Ended 31 March 2013

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (Continued)

The bank loan is secured by a fixed and floating charge over the assets of the company. Interest is charged on the above loan at the rate of LIBOR +0.85%. The loan is repayable in instalments over a period of 23 years, which commenced in 2009. The bank loan is with The Bank of Tokyo Mitsubishi UFJ.

In June 2006 the company entered into a 25 year fixed interest rate swap arrangement (amended March 2011) to hedge its exposure to the effect of interest rate fluctuations.

The swap converts the bank loan to a fixed rate of 5.04% and is payable in semi-annual amounts between 30 June 2009 and 31 December 2031.

The maturity analysis of amounts owed to parent company is:

	2013 £'000	2012 £'000
Within one year	105	93
Between one and two years	118	105
Between two and five years	448	399
Over five years	8,295	8,462
	8,966	9,059

Interest is charged on related party loan balances at the rate of 12%. The loans are unsecured and repayable in instalments over a period of 25 years, which commenced in 2009.

11. DEFERRED TAX

	2013 £'000 Provided	2012 £'000 Provided
Accelerated capital allowances	6,081	5,876
Losses	(2,013)	(2,629)
Deferred Tax Liability	4,068	3,247
Movement in deferred tax in year:		£'000
At 31 March 2012		(3,247)
Adjustments in respect of prior periods		(131)
Profit and loss account		(690)
At 31 March 2013		(4,068)

ADDIEWELL PRISON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year Ended 31 March 2013

12. CALLED-UP SHARE CAPITAL

	2013 £'000	2012 £'000
Allotted, called-up and fully-paid		
1 (2012: 1) ordinary share of £1 each	-	-

13. RESERVES

	Share Premium account £'000	Profit and loss account £'000
At 31 March 2012	100	1,634
Profit for the financial year	-	2,317
Dividends (note 7)	-	(2,100)
At 31 March 2013	100	1,851

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2013 £'000	2012 £'000
Opening shareholders' funds	1,734	2,448
Profit for the financial year	2,317	1,686
Dividends (note 7)	(2,100)	(2,400)
Closing shareholders' funds	1,951	1,734

ADDIEWELL PRISON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year Ended 31 March 2013

15. RELATED PARTY TRANSACTIONS

Name of company	Type of transaction	Year ended 31 March 2013 £'000	Balance receivable/ (due) at 31 March 2013 £'000
Addiewell Prison (Holdings) Ltd	Parent company loan	-	(8,966)
Addiewell Prison (Holdings) Ltd	Parent company loan interest	(1,079)	(265)
Royal Bank Project Services Ltd	SPV Charges	(11)	(5)
Sodexo Investment Services Limited	SPV Charges	(11)	(5)
Interserve Investments Ltd	SPV Charges	(58)	(9)
Sodexo Ltd	Operator & SPV fees	(20,040)	(1,686)
Royal Bank of Scotland plc	Bank Interest receivable	52	-

Name of company	Type of transaction	Year ended 31 March 2012 £'000	Balance receivable/ (due) at 31 March 2012 £'000
Addiewell Prison Holdings Ltd	Parent company loan	-	(9,059)
Addiewell Prison Holdings Ltd	Parent company loan interest	(1,095)	(271)
Royal Bank of Scotland plc	Bank loan	-	(89,398)
Royal Bank of Scotland plc	Bank loan interest and charges	(5,328)	(1,307)
Royal Bank Project Services Ltd	SPV Charges	(10)	(5)
Sodexo Investment Services Limited	SPV Charges	(10)	(5)
Interserve Investments Ltd	SPV Charges	(55)	(9)
Sodexo Ltd	Operator & SPV fees	(20,241)	(1,793)
Royal Bank of Scotland plc	Bank Interest receivable	48	-

Cash balances on deposit with Royal Bank of Scotland plc are disclosed in the balance sheet.

ADDIEWELL PRISON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) **Year Ended 31 March 2013**

16. PARENT COMPANY AND CONTROLLING PARTIES

The company's immediate parent undertaking is Addiewell Prison (Holdings) Limited, which is the smallest and largest entity to consolidate these financial statements. Copies of the financial statements of Addiewell Prison (Holdings) Limited are available from Addiewell Prison Limited, Interserve House, Ruscombe Park, Twyford, Reading, RG10 9JU.

Under a share pledge agreement Addiewell Prison (Holdings) Limited transferred the entire shareholding of Addiewell Prison Limited to Project & Export Finance (Nominees) Limited who are a nominee subsidiary of the company's bankers The Royal Bank of Scotland Plc, a related party. However, although in the legal form Addiewell Prison Limited is owned by Project & Export Finance (Nominees) Limited in substance Addiewell Prison (Holdings) Limited is able to exercise control via voting rights and is entitled to dividends, interest and other payments (whether of an income or capital nature) paid in respect of the shares.

During the year Addiewell Prison (Holdings) Limited was jointly owned and controlled by Interserve Investments Limited, Royal Bank Project Investments Limited and Sodexo Investment Services Limited. On 3 May 2013 Infrastructure Investments Holdings Limited acquired the equity and loan stakes held by Royal Bank Project Investments Limited. In the directors' opinion there is no ultimate controlling party.

17. FINANCIAL INSTRUMENTS

	2013	2012
	£'000	£'000
Interest rate swap on loans		
Fair value of interest rate swaps	(23,736)	(20,489)

On 20 June 2006, in order to hedge against interest variations the company entered into a 25 year interest rate swap agreement with the Royal Bank of Scotland plc whereby, at monthly intervals during construction and six monthly intervals during operations, sums are exchanged reflecting the difference between the floating and fixed interest rates, calculated on a predetermined notional principal amount. The fixed interest rate is 5.04% on the senior loan. As the interest rate swap is considered to be effective, the value has not been accounted for within these financial statements.