

# **Biwater Holdings Limited**

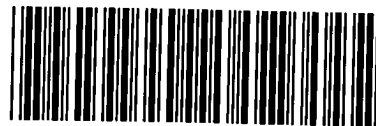
Report and consolidated financial statements

Year ended

30 June 2018

Company Number 00929686

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# **Biwater Holdings Limited**

## **Report and consolidated financial statements for the year ended 30 June 2018**

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### **Contents**

|    |  |
|----|--|
| 1  | Chairman's statement                                 |
| 2  | Strategic report                                     |
| 7  | Directors' report                                    |
| 10 | Independent auditor's report                         |
| 13 | Consolidated statement of profit or loss             |
| 14 | Consolidated statement of total comprehensive income |
| 15 | Consolidated statement of financial position         |
| 17 | Consolidated statement of cash flows                 |
| 18 | Consolidated statement of changes in equity          |
| 19 | Notes forming part of the financial statements       |
| 54 | Parent company financial statements                  |

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**Biwater Holdings Limited is registered as a limited company in England & Wales**

**Company Number 00929686**

### **Board of Directors**

Sir Adrian White CBE, DL, C.Sci, D.Univ, FCIWEM (Chairman)

P B Stevens FCCA

A G White BA (Hons), MSc (Hons) (Deputy Chairman)

R B White BSc (Deputy Chairman)

J J Jones BSc, MBA\*

J S Lamb LLB

\* Non-executive director

### **Company Secretary**

J S Lamb LLB

### **Registered Office**

Biwater House, Station Approach, Dorking, Surrey, RH4 1TZ

### **Auditors**

BDO LLP, 2 City Place, Beehive Ring Road, Gatwick, West Sussex RH6 0PA

**Chairman's statement  
for the year ended 30 June 2018**

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For 50 years the Biwater Group has been delivering on its commitment to provide treated water solutions across the globe, improving the lives of millions of people.

I am proud of our achievements to date, but equally pleased to see the innovative ground-breaking work continue in frontier markets and even developed countries, where the need for Biwater's tailored design, financing solutions and technical and innovative expertise, is needed the most.

Biwater is in the business of bringing water to life, making sure clean water reaches the people who need it and wastewater is treated responsibly. Our holistic approach combines the very best of British engineering with a modern, unique and flexible template for solving our clients' water challenges. Our successful track record spans the complete range of water and wastewater products and services: water asset management and consultancy, infrastructure ownership, packaged plants and products, and membrane technology and desalination.

Biwater has a forty-year relationship with the British Government's UK Export Finance department, and other large multi-lateral lending agencies, that allows us to provide finance for projects that are currently unavailable or unaffordable to Governments, by spreading the cost of these large infrastructure works over up to 21 years, in affordable yearly repayments.

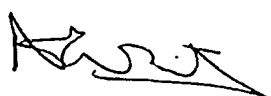
Our 2018 financial statements reflect a decrease in turnover as we await the commencement of our £1.3 billion pound order book from signed contracts, such as those in Cameroon and Kurdistan, with profitability improving, assisted by the impact from our divestment of operations in Hong Kong following the successful completion of one of the world's largest sewage pumping stations. The consolidated net assets have also increased by 38% over 2017, with no borrowings in the Group.

Biwater continues to be successful in winning new contracts across three continents, with continued success being seen in North America, Africa and Asia. Our most recent contract award at the end of 2018 was for a 135,000 m<sup>3</sup>/day water treatment plant in Ghana to provide increased water supply for the population of Tamale. This \$272m contract will also see Biwater deliver a water asset management (WAM) programme, which will include the expansion of the distribution network, allowing the Ghana Water Company to connect to new consumers in Tamale. In Morocco we have been awarded two new wastewater treatment contracts, one of which is expanding our capabilities in solar sludge drying facilities, whilst in Kurdistan, Northern Iraq we have been providing emergency early works projects to increase water supply. In North America our specialist desalination and membrane treatment company Biwater Inc. has secured and delivered key award-winning municipal and reuse plants now totalling nearly 40 million gallons/day of treated capacity. Further information is provided in the Strategic Report.

Biwater has also entered into strategic partnerships, such as that with the Wood Group, to secure very large infrastructure projects in regions such as Iraq, where our current proposals to improve the water provision to stressed areas such as Basra, are being discussed with the Government.

With such a large order book and an even stronger pipeline of opportunities, the Group will be expanding its operations in many countries throughout 2019 and we will be relying on our embedded systems, processes and support functions to play vital roles in the successful delivery of our contracts.

We have a busy year ahead and I am grateful for the dedication and hard work of our highly skilled workforce, who, with their continued commitment, will help secure the huge success the Biwater Group is now set to achieve.



**Sir Adrian White CBE**  
Chairman

**Strategic report**  
**for the year ended 30 June 2018**

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The Directors present the Strategic report together with the audited consolidated financial statements for the year ended 30 June 2018.

**Business Overview**

The Group continues its activities based upon its core capabilities, providing world-class water and wastewater treatment solutions, including membrane technology and desalination, with suitable financing to nations across the globe in the most sustainable, ethical and ecological way possible.

Ongoing support from Export Credit Agencies (ECAs) from around the world – in particular UK Export Finance, with strong political support from UK Government's Department for International Trade – has assisted in major contract awards to date and continues to support in the development of significant new international sales opportunities.

We are reaching the conclusion of the local and international regulatory requirements for our contract in Cameroon. This \$201m contract for the design, build, refurbishment and extension of water treatment, production, storage and distribution infrastructure, spanning 13 locations across the country, is an example of an ECA supported project that the Biwater Group is able to offer. This project will be delivered over the next three years.

Our contract in the Kurdistan Region of Iraq, to deliver a large 600,000 m<sup>3</sup>/day water treatment plant in Erbil and wastewater treatment facilities in Sulaimani, has been delayed, impacted by the Government elections across Iraq towards the end of 2018. We are now awaiting the completion of the formations of both Governments and conclusions to the budget & oil sharing agreements between them, before progressing to financial close on this landmark project. Biwater has proposed a phased delivery of this \$1.2 billion project over 2 phases to deliver an initial 300,000 m<sup>3</sup>/day water treatment plant in Erbil and the designed wastewater treatment facilities in Sulaimani. As part of addressing the urgent humanitarian water needs across the region in the intervening period, Biwater has been carrying out emergency early works to increase clean water provision in the region.

Biwater Inc. in the USA have had a successful year delivering on its contract to provide ultrafiltration, (UF) and reverse osmosis, (RO) systems for the large Groundwater Reliability Improvement Program (GRIP) in Southern California. These state-of-the-art UF and RO systems, (contributing to a 56 million litre per day plant), are two of the three key process technologies essential to the indirect potable reuse solution.

2018 has also seen the complete recovery, (by December 2018), of aged debts due from the Panama water authority, IDAAN, following a tremendous amount of effort and diplomatic assistance, which included facilitating a meeting with the President of Panama whilst visiting London.

The Board of Directors decided in late 2017 to divest of our operations in Hong Kong, namely Biwater Man Lee Limited, following the completion of the stage 2A Harbour Treatment Scheme which forms part of the impressive Stonecutters Island sewage treatment works, being the largest in Asia. This divestment was concluded in December 2017 following a strategic review of the market place and territory. The gains from this sale, which was to a locally listed civil contracting Group, are highlighted in the financial statements.

**Outlook**

The Group continues to be successful in winning new contracts across the Globe where our innovation and total solutions approach, combined with Biwater's history and credentials of delivering projects in over 90 countries, gives Biwater the competitive edge to secure new contract awards.

These factors plus a growing need for Biwater's wide range of capabilities and services given increased water stressed regions and lack of investment in water treatment infrastructure, is culminating in a growing pipeline of opportunities as well as a growth in our secured order book.

## **Strategic report for the year ended 30 June 2018 (continued)**

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An example of the continued success we are seeing, is in the award of the \$272m contract for the Tamale Water Supply Scheme in Ghana. This contract which was signed in December 2018, is to construct and expand the water supply infrastructure in Tamale, increasing drinking water supplies in the Northern Region of the Country. The scope of the works includes the design, construction and commissioning of a new water treatment plant that will provide 135,000 m<sup>3</sup>/ per day of drinking water.

The Group now has work in hand of over £1.3 billion from signed contracts that pending financial close, will dramatically affect the financial results of the Group going forward and increase our capabilities and presence across our core territories. There may be a requirement for additional funding whilst we await financial close on these signed contracts, and further details of this are set out in Note 1 to the financial statements.

The impact from Brexit on the Group is a positive one, given the ongoing and increased UK Government's focus on international trade and the nature of our exporting business model, which is at the moment, delivering specialist water and wastewater treatment services wholly outside Europe.

### **Markets and trends**

Delivery of drinking water and the provision of sanitation are ever-increasing needs in a world struggling to meet population growth and environmental challenges. Combining this with the world's improved awareness of the importance of managing water resources and the impact of global warming, we consider that investment in the infrastructure and management systems that Biwater provides will continue to grow significantly.

Innovations in the industry will be driven by investments in research and development. To ensure that we continue to harness the latest technologies and deliver the best results for our clients, the Group will continue to invest in its people and the important research, pilot testing and development activities that will shape our future.

### **Objectives and strategy**

Biwater's business is total capability in the design, finance, construction and operation of water and wastewater infrastructure, including packaged plants, mainly in developing territories and emerging markets or wherever poor sanitation and a lack of clean safe drinking water exists.

Our strategy worldwide is driven by an engineering and financial solutions philosophy with design capabilities based in the UK and internationally (Malaysia, USA and Turkey) and a strong desalination and membrane technology centre of excellence in California (Biwater Inc.).

We target projects that are funded either by commercial lending, multilateral financing institutions and/or Export Credit Agencies. This affords us the flexibility to engineer financial and technical solutions, and the additional opportunity to enter into operation and maintenance and concession contracts over extended periods. In this way, we seek security of recurring cash flows, as well as ongoing profit over operating and concession periods.

Given this strategy and pipeline of opportunities, the Biwater Group will be focusing on the territories and markets where this approach and our strong differentiation, as a total solution provider, is of the most need.

**Strategic report**  
**for the year ended 30 June 2018 (continued)**

**Key performance indicators**

|   | <b>2018</b> | 2017 |
|---|-------------|------|
|   | <b>£m</b>   | £m   |
| Revenue:<br><i>As the prime measure of our economic output, revenue growth is key to measuring shareholder return and the success of our expansion strategies</i>   | <b>35.6</b> | 60.2 |
| Profit before taxation:<br><i>Profit before taxation provides an indication of the quality of turnover growth and is also a measure of value added by the Group, giving an indication of the quality of delivery to our clients worldwide</i> | <b>1.9</b>  | 1.2  |
| Profit after taxation:<br><i>Profit after taxation provides an overall indication of the success of the Group in managing its operational and fiscal risks in all its market places</i>   | <b>1.9</b>  | 1.4  |
| Net assets before pension liability:<br><i>This provides a measure of the net increase in shareholder value achieved in the year</i>  | <b>33.8</b> | 31.9 |
| Net cash at bank:<br><i>The movement on the net cash at bank balance provides an indication of our financial flexibility and strength</i>   | <b>7.9</b>  | 16.1 |

**Risk management**

The management of the business and the execution of the Group's strategy are subject to a number of risks. Strategies are in place to mitigate these risks, which includes having plans to deal with emergencies or loss of key assets.

The Board and the Group Risk Director set the strategic objectives and agree an acceptable risk profile delegating authority to the Executive Committee (consisting of subsidiary Directors and other senior managers) to regularly review operational and strategic risk with early identification, analysis, evaluation and its removal or mitigation.

These strategic objectives include embedding our enterprise risk management philosophy into many of the organisation's policies and procedures, affecting pre-sale and post-sale activities.

The Group also maintains a risk management process which includes the maintenance of risk registers which are reviewed by the Executive Committee. These risk registers assess probability of risk occurrence, the potential financial impact of a risk should it crystallise and the potential reputational impact of the risk.

**Principal risks and uncertainties**

The Group maintains risk management processes which include undertaking due diligence prior to project initiation and continued risk assessment via a risk register from the point of tender finalisation and throughout the life of a contract. The risk register assesses probability of risk occurrence, the potential financial impact of a risk should it crystallise and the potential reputational impact of the risk.

The Board recognises that no risk management process can fully eliminate risk, but the Board believes that it has an effective framework for risk management that will recognise, minimise and mitigate the effect of risk crystallisation should it occur.

**Strategic report**  
**for the year ended 30 June 2018 (continued)**

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The significant risk areas within the business are:

**1. Contract performance, client, economic and financing security risks**

The Group is subject to counterparty risk in overseas territories, many of which are in emerging markets. If unable to manage the risks associated with operations in emerging markets the business and results of operations could be adversely affected. Risks associated with doing business in these markets include:

- An unfavourable political or economic environment, including rates, duties, exchange controls, expropriation, import controls and other trade barriers
- Unexpected legal or regulatory changes and the associated cost of compliance
- The potential reliance on long-term licences from governments and contracts with public-sector clients
- The possible exposure of new contracts in these difficult market conditions to unforeseeable costs and higher risk associated with working in emerging markets

These risks are mitigated by a range of internal review procedures that enable the contract terms to be scrutinised and assessed during the tendering or negotiation process. During the implementation phase, attention is paid to monitoring contract performance and delivering client milestones in accordance with the Group obligations to each project.

The Group's contract control system allows a systematic and regular review to be undertaken and highlights contractual, financial and operational risks and opportunities.

**2. Large contract credit risk**

A significant proportion of the Group's revenue comes from a small number of large contracts. The impact of loss, expiry, suspension, cancellation or termination of any one of these large contracts, for any reason, could have a material adverse effect on the Group's future results and financial condition. A variety of contract structures are used to mitigate risk on construction programmes which may be shared by both client and contractor. The Group has a well-balanced spread of contracts over many regions of the world and an order back-log which provides long-term visibility.

Credit risk is significantly reduced by the use of Export Credit Agency guaranteed, external finance, directly drawn down by Biwater to fund project delivery.

**3. Foreign currency risk**

Most of the Group's business is transacted in US Dollars or Euros. The Group seeks to mitigate currency risk by ensuring that revenue and the related procurement are in the same underlying currency. Where considered appropriate, forward cover or similar instruments are applied to cover anticipated currency fluctuations.

The Group is however still exposed to movements in exchange rates.

**4. Interest rate risk**

The Group is principally debt free apart from a small overdraft facility in one of the French subsidiaries. The interest charge and risk on these facilities is not material.

**Strategic report**  
**for the year ended 30 June 2018 (continued)**

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**5. Retirement benefits risk**

Prior to 1 April 2003, the employees of Biwater Holdings Limited and Biwater International Limited participated in a funded scheme known as the Biwater Retirement and Security Scheme (BRASS). Membership of the defined benefit main section of our pension scheme was closed to employees with effect from April 2003 with no further accrual of annual benefit. The future pension liability for existing members to the date of closure remain and are included in the IAS19 disclosure. When in deficit, the funds are reported as unsecured creditors of the Group. The risk is that the scheme's assets do not match its liabilities. The scheme's assets comprise largely of bonds and other diversified funds, the values of which are affected by the performance of the stock market. The valuation of the scheme's liabilities is directly affected by a number of factors, including discount rates, the rate of inflation and longevity of scheme members. Currently the scheme assets do not match the scheme liabilities as detailed in the employee benefits note set out in the financial statements.

In common with many defined benefit schemes, the BRASS scheme was exposed to actuarial losses resulting from the Government quantitative easing policies impacting on investment returns and discount rates. The IAS19 deficit at 30 June 2018, net of a deferred tax asset, was £14.0m (2017: £17.6m). This deficit has reduced significantly over the last three years.

During the 12 month period aggregate employer cash contributions to the defined benefit sections of BRASS amounted to £2.3m (2017: £4.7m).

On behalf of the Board



**P B Stevens**  
Director

31 July 2019

## **Directors' report for the year ended 30 June 2018**

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The Directors present their report together with the audited consolidated financial statements for the year ended 30 June 2018.

### **Principal activities**

The principal activities of the Group are the provision of services to the water and wastewater industry worldwide. Further details of the nature of business of the principal group undertakings are given in note 26 to the consolidated financial statements. The Group operates out of a number of branches and subsidiaries worldwide in order to bid locally for, and manage, its contracts.

### **Results for the year**

Revenue for 2018 was £35.6m, down on the prior year principally due to the completion of activities in certain territories and the delay in commencement on signed contracts progressing towards financial close.

The Group reports a profit on ordinary activities before taxation of £1.9m, including the profit on disposal of a subsidiary, compared to a profit of £1.2m in the prior year.

The Directors do not recommend the payment of a dividend (2017: £nil).

The Group continues to be substantially debt free and had net cash at bank of £7.9m at 30 June 2018 (2017: £16.1m).

Net assets have increased by £5.5m to £19.8m and now stand at £33.8m excluding the Group's pension liability (2017: £31.9m). Bond guarantee levels have been significantly reduced to £11.3m (2017: £13.0m).

Despite falling bond yields, the gross pension liability reduced by £4.5m in the year, due to contributions and a healthy asset performance from a diverse, well matched portfolio. The Group's deficit recovery plan continues ahead of target and has a long-dated recovery period agreement in place, which has 22 years remaining.

### **Derivatives and other financial instruments**

The Group holds cash and short-term deposits to fund its operations and has various other financial instruments such as trade debtors and trade creditors arising directly from its operations. The accounting policy for financial instruments is detailed in note 1. The Group utilised no derivative financial instruments at 30 June 2018.

### **Employee involvement**

The welfare of employees and others who might be affected by the Group's activities is taken very seriously.

The Group provides regular and continued information of its activities on the Biwater staff website. A review of the Group's financial position is included annually and there are regular features on different aspects of the Group to help develop employee awareness of the market conditions and the Group's results. Good employee communication is given a high priority in order to involve employees in the affairs of the business.

A code of ethics applies to all employees. It is designed to promote honest and ethical conduct. Our policy provides for the reporting of alleged violations of our Code of Conduct without fear of reprisal against the reporting individual.

**Directors' report**  
**for the year ended 30 June 2018 (continued)**

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**Directors and their interests**

Directors holding office during the year and up to the date of signing are listed below:

Sir Adrian White  
Mr AG White  
Mr RB White  
Mr JJ Jones  
Mr PB Stevens  
Mr JS Lamb

With the exception of Sir Adrian White (see note 25 to the consolidated financial statements), no Director has, or has had, a disclosable interest in the shares of Biwater Holdings Limited or other group companies.

During the year, none of the Directors had any material interest in any contracts in relation to the Group's business.

**Directors' indemnities**

The Company maintains liability insurance for its Directors and officers. Following shareholder approval in July 2005, the Company has also provided an indemnity for its Directors and secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

**Future developments and financial risk management**

Details of future developments and the Group's financial risk management objectives and policies are set out in the Strategic report.

**Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements**

The Directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under this law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (as adopted by the European Union) and the Company financial statements in accordance with Financial Reporting Standard 101 UK Generally Accepted Accounting Practice (UK 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 Group and Company and of the profit or loss of the Group 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

**Directors' report**  
**for the year ended 30 June 2018 (continued)**

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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.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Accounting reference date**

The Group and the Company's accounting reference date is the 29<sup>th</sup> June. In accordance with Section 390A of the Companies Act 2006, the Directors have drawn up the Group and Company financial statements to the 30<sup>th</sup> June.

**Auditors**

The auditors, BDO LLP, have indicated their willingness to continue in office.

**Statement as to disclosure of information to the auditors**

So far as each Director is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's and company's auditors are unaware and each Director has taken all the steps that he ought to have taken in his duty as a Director in order to make himself aware of any relevant audit information and to establish that the Group's and company's auditors are aware of that information.

Approved by the Board and signed on its behalf by



**P B Stevens**  
Director

31 July 2019

**Independent auditor's report  
for the year ended 30 June 2018**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BIWATER HOLDINGS LIMITED**

**Opinion**

We have audited the financial statements of Biwater Holdings Limited ('the Parent Company') and its subsidiaries ('the Group') for the year ended 30 June 2018 which comprise the consolidated statement of profit or loss, the consolidated statement of total comprehensive income, the consolidated statement of financial position and Company balance sheet, the consolidated statement of cash flows, the consolidated and company statements of changes in equity and the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Material uncertainty related to going concern**

As set out in note 1, the timing of financial close of a number of signed contracts and therefore the ability to draw down related contracted amounts is uncertain. If a number of significant receipts on these signed contracts are not achieved as forecast, the Group may require additional funding. The board are considering a number of funding options with various third parties and have signed heads of terms with a reputable lender for a credit approved £2.5 million banking facility. In addition, the board are considering other options which would bring additional funding into the Group. However, until these projects and funding options commence, there is a material uncertainty which may cast significant doubt over the Group's and Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Independent auditor's report  
for the year ended 30 June 2018 (continued)**

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**Other information**

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

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

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

**Matters on which we are required to report by exception**

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

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of Directors**

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Independent auditor's report  
for the year ended 30 June 2018 (continued)**

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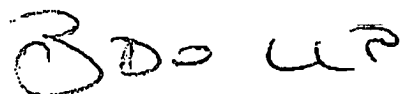
In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend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

**Auditor's responsibilities for the audit of the financial statements**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

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



**James Fearon** (Senior Statutory Auditor)  
For and on behalf of BDO LLP, statutory auditor  
Gatwick, United Kingdom  
31 July 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

**Consolidated statement of profit or loss  
for the year ended 30 June 2018**

|  | Note | Year ended 30 June 2018              |  |             | Year ended 30 June 2017              |  |             |
|--|------|--------------------------------------|--|-------------|--------------------------------------|--|-------------|
|  |      | Before<br>exceptional<br>items<br>£m | Exceptional<br>items<br>(note 6)<br>£m | Total<br>£m | Before<br>exceptional<br>items<br>£m | Exceptional<br>items<br>(note 6)<br>£m | Total<br>£m |
| <b>Revenue</b>                         | 4    | <b>35.6</b>                          | -                                      | <b>35.6</b> | 60.2                                 | -                                      | 60.2        |
| Raw materials and<br>consumables used  |      | (13.1)                               | -                                      | (13.1)      | (21.4)                               | -                                      | (21.4)      |
| Sub-contractors                        |      | (5.2)                                | -                                      | (5.2)       | (11.8)                               | -                                      | (11.8)      |
| Employee benefit expenses              | 5    | (13.3)                               | -                                      | (13.3)      | (16.8)                               | -                                      | (16.8)      |
| Depreciation expense                   |      | (0.2)                                | -                                      | (0.2)       | (0.2)                                | -                                      | (0.2)       |
| Other external charges                 |      | (6.3)                                | -                                      | (6.3)       | (9.9)                                | -                                      | (9.9)       |
| Release of doubtful debt<br>provisions | 6    | 3.5                                  | -                                      | 3.5         | 0.6                                  | -                                      | 0.6         |
| Exchange differences                   |      | 0.3                                  | (1.2)                                  | (0.9)       | 2.2                                  | (1.0)                                  | 1.2         |
| <b>Profit from operations</b>          | 6    | <b>1.3</b>                           | <b>(1.2)</b>                           | <b>0.1</b>  | 2.9                                  | (1.0)                                  | 1.9         |
| Profit on disposal of<br>subsidiary    | 11   | 2.5                                  | -                                      | 2.5         | -                                    | -                                      | -           |
| Finance expense                        | 7    | (0.7)                                | -                                      | (0.7)       | (0.8)                                | -                                      | (0.8)       |
| Finance income                         | 7    | -                                    | -                                      | -           | 0.1                                  | -                                      | 0.1         |
| <b>Profit before tax</b>               |      | <b>3.1</b>                           | <b>(1.2)</b>                           | <b>1.9</b>  | 2.2                                  | (1.0)                                  | 1.2         |
| Tax credit on profit for the<br>year   | 8    | -                                    | -                                      | -           | 0.2                                  | -                                      | 0.2         |
| <b>Profit for the year</b>             |      | <b>3.1</b>                           | <b>(1.2)</b>                           | <b>1.9</b>  | 2.4                                  | (1.0)                                  | 1.4         |

The notes on pages 19 to 53 form part of these financial statements.

**Consolidated statement of total comprehensive income  
for the year ended 30 June 2018**

|  | Note | Year ended 30 June 2018              |  |             | Year ended 30 June 2017              |  |              |
|--|------|--------------------------------------|--|-------------|--------------------------------------|--|--------------|
|  |      | Before<br>exceptional<br>items<br>£m | Exceptional<br>items<br>(note 6)<br>£m | Total<br>£m | Before<br>exceptional<br>items<br>£m | Exceptional<br>items<br>(note 6)<br>£m | Total<br>£m  |
| <b>Profit for the year</b>   |      | <b>3.1</b>                           | <b>(1.2)</b>                           | <b>1.9</b>  | 2.4                                  | (1.0)                                  | 1.4          |
| <b>Other comprehensive<br/>income/(loss):</b>                        |      |                                      |  |             |                                      |  |              |
| <i>Items that will not be<br/>reclassified to profit or loss:</i>    |      |                                      |  |             |                                      |  |              |
| Defined benefit pension<br>scheme re-measurements                    | 21   | 3.2                                  | -                                      | 3.2         | (1.3)                                | -                                      | (1.3)        |
| Surplus on property<br>revaluation                                   | 9    | -                                    | -                                      | -           | 1.3                                  | -                                      | 1.3          |
| Tax relating to items that will<br>not be reclassified               | 17   | (0.9)                                | -                                      | (0.9)       | (0.2)                                | -                                      | (0.2)        |
|  |      | <u>2.3</u>                           | <u>-</u>                               | <u>2.3</u>  | <u>(0.2)</u>                         | <u>-</u>                               | <u>(0.2)</u> |
| <i>Items that will or may be<br/>reclassified to profit or loss:</i> |      |                                      |  |             |                                      |  |              |
| Exchange gains arising on<br>translation of foreign<br>operations    |      | 1.3                                  | -                                      | 1.3         | 0.7                                  | -                                      | 0.7          |
|  |      | <u>1.3</u>                           | <u>-</u>                               | <u>1.3</u>  | <u>0.7</u>                           | <u>-</u>                               | <u>0.7</u>   |
| <b>Other comprehensive<br/>income for the year, net of<br/>tax</b>   |      | <b>3.6</b>                           | <b>-</b>                               | <b>3.6</b>  | 0.5                                  | -                                      | 0.5          |
|  |      | <u>3.6</u>                           | <u>-</u>                               | <u>3.6</u>  | <u>0.5</u>                           | <u>-</u>                               | <u>0.5</u>   |
| <b>Total comprehensive<br/>income</b>                                |      | <b>6.7</b>                           | <b>(1.2)</b>                           | <b>5.5</b>  | 2.9                                  | (1.0)                                  | 1.9          |
|  |      | <u>6.7</u>                           | <u>(1.2)</u>                           | <u>5.5</u>  | <u>2.9</u>                           | <u>(1.0)</u>                           | <u>1.9</u>   |

The notes on pages 19 to 53 form part of these financial statements.

**Consolidated statement of financial position**  
as at 30 June 2018

| <i>(Company number 00929686)</i> | <b>Note</b> | <b>30 June<br/>2018<br/>£m</b> | <b>30 June<br/>2017<br/>£m</b> |
|----------------------------------|-------------|--------------------------------|--------------------------------|
| <b>Assets</b>                    |             |                                |                                |
| <b>Current assets</b>            |             |                                |                                |
| Inventories                      | 12          | <b>0.3</b>                     | 0.5                            |
| Trade and other receivables      | 13          | <b>30.1</b>                    | 26.0                           |
| Income tax receivable            |             | <b>0.1</b>                     | 0.1                            |
| Cash at bank and in hand         | 15          | <b>8.5</b>                     | 16.8                           |
|                                  |             | <hr/>                          | <hr/>                          |
|                                  |             | <b>39.0</b>                    | 43.4                           |
|                                  |             | <hr/>                          | <hr/>                          |
| <b>Non-current assets</b>        |             |                                |                                |
| Property, plant and equipment    | 9           | <b>3.3</b>                     | 3.1                            |
| Intangible assets                | 10          | <b>1.3</b>                     | 1.3                            |
| Other receivables                | 13          | <b>0.5</b>                     | 0.5                            |
| Deferred tax assets              | 17          | <b>9.4</b>                     | 8.7                            |
|                                  |             | <hr/>                          | <hr/>                          |
|                                  |             | <b>14.5</b>                    | 13.6                           |
|                                  |             | <hr/>                          | <hr/>                          |
| <b>Total assets</b>              |             | <b>53.5</b>                    | 57.0                           |
|                                  |             | <hr/>                          | <hr/>                          |

The notes on pages 19 to 53 form part of these financial statements.

**Consolidated statement of financial position**  
As at 30 June 2018 *(continued)*

| <i>(Company number 00929686)</i>  | Note | 30 June<br>2018<br>£m | 30 June<br>2017<br>£m |
|---|------|-----------------------|-----------------------|
| <b>Liabilities</b>  |      |                       |                       |
| <b>Current liabilities</b>  |      |                       |                       |
| Trade and other payables  | 14   | 18.1                  | 22.1                  |
| Borrowings  | 15   | 0.6                   | 2.2                   |
| Income tax payable  |      | 0.9                   | 0.7                   |
| Employee benefit liabilities  | 16   | 0.1                   | 0.1                   |
|   |      | <u>19.7</u>           | <u>25.1</u>           |
| <b>Non-current liabilities</b>  |      |                       |                       |
| Defined benefit pension liability                                       | 16   | 14.0                  | 17.6                  |
|   |      | <u>14.0</u>           | <u>17.6</u>           |
| <b>Total liabilities</b>  |      | <u>33.7</u>           | <u>42.7</u>           |
| <b>NET ASSETS</b>   |      |                       |                       |
|   |      | <u>19.8</u>           | <u>14.3</u>           |
| <b>Issued capital and reserves attributable to owners of the parent</b> |      |                       |                       |
| Share capital   | 18   | 30.0                  | 30.0                  |
| Revaluation reserve   | 19   | 1.3                   | 1.3                   |
| Capital redemption reserve  | 19   | 3.0                   | 3.0                   |
| Foreign exchange reserve  | 19   | 5.3                   | 4.0                   |
| Retained loss   | 19   | (19.8)                | (24.0)                |
|   |      | <u>19.8</u>           | <u>14.3</u>           |
| <b>TOTAL EQUITY</b>   |      | <u>19.8</u>           | <u>14.3</u>           |

The financial statements were approved and authorised for issue by the Board of Directors on 31 July 2019 and were signed on its behalf by:



**P B Stevens**  
Director

The notes on pages 19 to 53 form part of these financial statements.

**Consolidated statement of cash flows  
for the year ended 30 June 2018**

|  | Note | Year ended<br>30 June 2018<br>£m | Year ended<br>30 June 2017<br>£m |
|--|------|----------------------------------|----------------------------------|
| <b>Cash flows from operating activities</b>                    |      |                                  |                                  |
| Profit for the year  |      | 1.9                              | 1.4                              |
| <i>Adjustments for:</i>  |      |                                  |                                  |
| Depreciation of property, plant and equipment                  | 9    | 0.2                              | 0.2                              |
| Release of debtor provisions                                   | 6    | (3.5)                            | (0.6)                            |
| Defined benefit pension scheme expenses                        | 21   | 0.5                              | 1.0                              |
| Profit on disposal of subsidiary                               |      | (2.5)                            | -                                |
| Finance expenses   |      | 0.7                              | 0.8                              |
| Finance income   |      | -                                | (0.1)                            |
| Tax credit   |      | -                                | (0.2)                            |
|  |      | (2.7)                            | 2.5                              |
| (Increase)/decrease in trade and other receivables             |      | (2.5)                            | 26.0                             |
| Decrease in inventories  |      | 0.2                              | 0.4                              |
| Decrease in trade and other payables                           |      | (1.6)                            | (19.9)                           |
| Contributions to employee defined benefit schemes              | 21   | (2.3)                            | (4.7)                            |
| Exchange differences   |      | 1.4                              | 0.3                              |
|  |      | (7.5)                            | 4.6                              |
| <b>Cash (outflow)/inflow from operations</b>                   |      | (7.5)                            | 4.6                              |
| Income taxes paid  |      | (0.5)                            | (0.6)                            |
|  |      | (8.0)                            | 4.0                              |
| <b>Investing activities</b>                                    |      |                                  |                                  |
| Disposal of subsidiary, net of expenses and overdraft balances | 11   | 2.4                              | -                                |
| Purchases of property, plant and equipment                     | 9    | (0.3)                            | (0.8)                            |
| Interest received  |      | -                                | 0.1                              |
|  |      | 2.1                              | (0.7)                            |
| <b>Net cash generated from/(used in) investing activities</b>  |      |                                  |                                  |
| <b>Financing activities</b>                                    |      |                                  |                                  |
| Interest paid  |      | (0.2)                            | (0.1)                            |
| Payments from/(to) restricted cash accounts                    |      | 0.4                              | (0.3)                            |
|  |      | 0.2                              | (0.4)                            |
| <b>Net cash generated from/(used in) financing activities</b>  |      |                                  |                                  |
| <b>Net (decrease)/increase in cash and cash equivalents</b>    |      |                                  |                                  |
| <b>Cash and cash equivalents at beginning of year</b>          |      | <b>9.0</b>                       | <b>6.0</b>                       |
| Exchange (losses)/gains on cash and cash equivalents           |      | (0.1)                            | 0.1                              |
|  |      | 3.2                              | 9.0                              |
| <b>Cash and cash equivalents at end of year</b>                | 24   | <b>3.2</b>                       | <b>9.0</b>                       |

The notes on pages 19 to 53 form part of these financial statements.

**Consolidated statement of changes in equity  
for the year ended 30 June 2018**

|  | Share<br>capital<br>£m | Revaluation<br>reserve<br>£m | Capital<br>redemption<br>reserve<br>£m | Foreign<br>exchange<br>reserve<br>£m | Retained<br>loss<br>£m | Total<br>equity<br>£m |
|--|------------------------|------------------------------|--|--------------------------------------|------------------------|-----------------------|
| <b>1 July 2017</b>                       | 30.0                   | 1.3                          | 3.0                                    | 4.0                                  | (24.0)                 | 14.3                  |
| <b>Comprehensive income for the year</b> |                        |                              |  |                                      |                        |                       |
| Profit                                   | -                      | -                            | -                                      | -                                    | 1.9                    | 1.9                   |
| Other comprehensive income/(loss)        | -                      | -                            | -                                      | 1.3                                  | 2.3                    | 3.6                   |
| <b>30 June 2018</b>                      | <u>30.0</u>            | <u>1.3</u>                   | <u>3.0</u>                             | <u>5.3</u>                           | <u>(19.8)</u>          | <u>19.8</u>           |
| <b>1 July 2016</b>                       | 30.0                   | -                            | 3.0                                    | 3.9                                  | (24.5)                 | 12.4                  |
| <b>Comprehensive income for the year</b> |                        |                              |  |                                      |                        |                       |
| Profit                                   | -                      | -                            | -                                      | -                                    | 1.4                    | 1.4                   |
| Other comprehensive income/(loss)        | -                      | 1.3                          | -                                      | 0.1                                  | (0.9)                  | 0.5                   |
| <b>30 June 2017</b>                      | <u>30.0</u>            | <u>1.3</u>                   | <u>3.0</u>                             | <u>4.0</u>                           | <u>(24.0)</u>          | <u>14.3</u>           |

The notes on pages 19 to 53 form part of these financial statements.

**Notes forming part of the consolidated financial statements  
for the year ended 30 June 2018**

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**1 Accounting policies**

Biwater Holdings Limited is a company incorporated in England under the Companies Act. The address of the registered office is given on the contents page and the nature of the Group's operations and its principal activities are set out in the Strategic report.

The information set out in this report covers the year to 30 June 2018, with comparative figures relating to the year to 30 June 2017 and includes the results of the Company and its subsidiaries, together referred to as the Group.

***Basis of preparation and statement of compliance***

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements are presented in Sterling, which is also the Group's functional currency.

Amounts are rounded to the nearest million, to one decimal place, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs), as adopted by the European Union ('adopted IFRS') and those parts of the Companies Act 2006 applicable to companies reporting under adopted IFRS.

***Judgements and key areas of estimation uncertainty***

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

***Basis of measurement***

The consolidated financial statements have been prepared on a historical cost basis, except for the following items (refer to individual accounting policies for details):

- Revalued property
- Net defined benefit liability

***Changes in accounting policies***

*a) New standards, interpretations and amendments effective from 1 July 2017*

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 July 2017 that had a significant effect on the Group's financial statements. None of the amendments to standards that are effective from that date had a significant effect on the Group's financial statements.

**Notes forming part of the consolidated financial statements  
for the year ended 30 June 2018 (continued)**

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**1 Accounting policies (continued)**

***Changes in accounting policies (continued)***

*b) New standards, interpretations and amendments not yet effective*

The following new standards, interpretations and amendments, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the Group's future financial statements:

IFRS 15: *Revenue from Contracts with Customers* ('IFRS 15') has been endorsed by the EU and comes into force with effect from 1 July 2018. IFRS 15 is relevant across all industries and for most types of revenue transaction and outlines a single comprehensive model of accounting for revenue arising from contracts with customers. The new standard focuses on the identification of performance obligations and distinguishes between performance obligations that are satisfied "at a point in time" and those which are satisfied "over time". The core principle underlying the new model is that an entity should recognise revenue in a manner that depicts the pattern of transfer of goods and services to customers.

An assessment of the effect of IFRS 15 on the Group's future financial statements is in its final stages. Implementation of the standard is not expected to have a significant impact on either the consolidated statement of profit or loss or on the consolidated statement of financial position.

IFRS 9: *Financial Instruments* ('IFRS 9') comes in to force from 1 July 2018. IFRS 9 has three core components: Classification and Measurement, Impairment and Hedge Accounting. The Classification and Measurement and the Hedge Accounting components will not have any impact on the Group.

The Impairment component of IFRS 9 requires the Group to use an expected credit loss approach in assessing the recoverability of trade receivables and other financial assets. This will result in impairment provisions being recognised earlier, as it is no longer necessary for a loss event to occur before a provision is recognised. Instead, a forward-looking basis is used, taking into account the risk profile of an asset and assessing potential future economic conditions.

The Group is currently in the final stages of its exercise to quantify the impact of the new standard. Implementation of the standard will not have a significant impact on the consolidated statement of profit or loss as any increase in impairment provision would be taken to opening reserves in the year the standard is adopted. An increase in the impairment provision would have the impact of decreasing the consolidated net assets of the Group. IFRS 9 will not in itself result in any change to the cash flows associated with the Group's financial assets.

IFRS 16: *Leases* ('IFRS 16') will come in to force on 1 July 2019. The standard requires lease agreements to be recognised in the balance sheet by the inclusion of a 'right of use' asset and a loan obligation for the future payments required under each lease. Lease costs will be recognised in the form of depreciation of the right of use asset and interest cost on the lease liability. Lease liabilities are discounted to present value using the interest rate implicit in the lease. In the consolidated statement of cash flows, lease payments will be reflected as cash flows from financing activities reflecting the payment of lease liabilities and related interest.

Under current accounting, only finance leases are accounted for in this way, whilst operating leases are not included in the balance sheet and rental costs are recognised on a straight line basis as operating costs in the consolidated statement of profit or loss and as operating cash flows in the consolidated statement of cash flows.

**Notes forming part of the consolidated financial statements  
for the year ended 30 June 2018 (continued)**

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**1 Accounting policies (continued)**

***Changes in accounting policies (continued)***

*b) New standards, interpretations and amendments not yet effective (continued)*

The Group is currently assessing the impact IFRS 16 will have on the financial statements. The Group currently has a number of property operating leases, the most significant of which is the lease on the Group's head office in Dorking, which has 12 years to run after 30 June 2019 when IFRS 16 will come in to force. Total future payments under this lease are £7.2 million before discounting.

***Basis of consolidation***

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the Company and all its subsidiaries ('the Group') as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

If a subsidiary has a non-coterminous year end its results are adjusted to reflect the Group's financial year.

***Going concern***

In determining the appropriate basis of preparation of these financial statements, the Directors are required to consider whether the Group and the Company can continue in operational existence for the foreseeable future.

Based on the latest trading expectations and associated cash flow forecasts of the Group headed by Biwater Holdings Limited, the Directors have considered the cash requirements of the Group and the Company and believe that the Group and the Company will be able to continue in operations and meet its liabilities as they fall due for at least the next twelve months following approval of these financial statements. As such the financial statements have been prepared on a going concern basis.

The Directors recognise that inherent within international contracting are uncertainties around the timing and receipt of significant contract sums. The Directors have forecast future expected receipts in respect of a number of signed international long-term contracts over the forecast period of 12 months from the date of signing these financial statements using their considerable experience of the industry; although the timing of financial close of these signed contracts and therefore the ability to draw down related contracted amounts is uncertain. If a number of significant receipts on these signed contracts are not achieved as forecast, the Group may require additional funding. The board and the main shareholder are well advanced and confident in discussions in respect of a number of funding options with various third parties and have signed heads of terms with a reputable lender for a credit approved £2.5 million banking facility. In addition, the board are

**Notes forming part of the consolidated financial statements  
for the year ended 30 June 2018 (continued)**

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**1 Accounting policies (continued)**

***Going concern (continued)***

considering other options which would bring additional funding into the Group. Conversely, until these projects and funding options commence, there is a material uncertainty which may cast significant doubt over the Group's and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company was unable to continue as a going concern.

***Revenue***

Revenue comprises the value of contracting work carried out and other ancillary services provided externally, excluding sales tax, rebates and discounts.

Long-term contract revenue is recognised in accordance with the stage of completion of the contractual obligations to the client. The stage of completion is usually based on the proportion of costs incurred compared to the total expected costs to complete the contract, where this also represents the timing of a right to receive consideration, and provided the outcome of the contract can be assessed with reasonable certainty.

Where the outcome of a long-term construction contract cannot be assessed with reasonable certainty, revenue is recognised only to the extent of contract costs incurred where these are reasonably expected to be recoverable.

Where it is probable that contract costs will exceed contract revenue, the expected loss is recognised as an expense immediately.

Amounts recoverable on contracts, which are included in debtors, are stated at cost plus attributable profit.

Revenue for other services is recognised in the year in which the service is rendered, provided the amount of revenue can be measured reliably and it is probable that the Group will receive any consideration.

***Goodwill***

Goodwill represents the difference between the fair value of the consideration for a business combination and the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is stated at cost less any accumulated impairment losses and is allocated to each cash-generating unit expected to benefit from the synergies of the business combination.

The profit or loss on the disposal of a previously acquired business includes the attributable amount of any purchased goodwill relating to that business.

***Impairment of assets***

Goodwill is not amortised but is tested annually for impairment at the financial year end. Assets that are subject to amortisation or depreciation are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, the asset is written down accordingly. The recoverable amount is the higher of an asset's value in use and fair value less costs to sell.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is

**Notes forming part of the consolidated financial statements  
for the year ended 30 June 2018 (continued)**

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**1 Accounting policies (continued)**

***Impairment of assets (continued)***

carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows - its cash generating units ('CGUs').

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

***Exceptional items***

Exchange gains and losses made in respect of the revaluation of intercompany balances are treated as exceptional items and shown separately in the statement of profit or loss because the Directors believe this disclosure is necessary to assist in the understanding of the financial performance of the Group. Material items of a non-recurring nature may be treated as exceptional for the same reason.

***Foreign currency***

Transactions entered into by group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised in profit or loss.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

Exchange differences recognised in profit and loss in group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to other comprehensive income and accumulated in the foreign exchange reserve on consolidation.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of total comprehensive income as part of the profit or loss on disposal.

***Leased assets***

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the consolidated statement of profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an

**Notes forming part of the consolidated financial statements  
for the year ended 30 June 2018 (continued)**

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**1 Accounting policies (continued)**

***Leased assets (continued)***

"operating lease"), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term.

***Financial instruments***

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

***Financial assets***

The Group's principal financial assets comprise:

- Trade receivables and other receivables
- Amounts recoverable on contracts
- Collateralised and restricted cash balances
- Cash and cash equivalents.

Trade receivables, other receivables and amounts recoverable on contracts do not carry interest and are stated at face value as reduced by appropriate allowances for estimated recoverable amounts.

Collateralised and restricted cash balances are held as surety for the provision of overdraft and guarantee facilities from banks and under contractual arrangements with clients.

Cash and cash equivalents comprises cash balances and bank deposits with maturity of less than or equal to three months.

***Financial liabilities***

The Group's principal financial liabilities comprise:

- Trade payables and other payables
- Payments on account
- Bank overdrafts and short term loans

Trade payables, other payables and payments on account are not interest bearing and are stated at face value. Bank overdrafts exclude accrued interest.

The Group currently has no derivative financial instruments.

***Employee benefits***

Contributions to the Group's defined contribution pension scheme are charged to the consolidated statement of profit or loss in the year to which they relate.

The Group operates a closed defined benefit scheme known as the Biwater Retirement and Security Scheme ('BRASS').

The difference between the fair value of the assets held in the BRASS scheme and the scheme's liabilities

**Notes forming part of the consolidated financial statements  
for the year ended 30 June 2018 (continued)**

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**1 Accounting policies (continued)**

***Employee benefits (continued)***

measured on an actuarial basis using the projected unit method are recognised in the consolidated statement of financial position as a pension liability. The pension scheme liability is recorded net of any related deferred tax balance, with the recognition of any deferred tax asset following the principles described in the deferred tax accounting policy.

Changes in the defined benefit scheme liability arising from factors other than cash contributions by the Group are charged to the consolidated statement of profit or loss (current service cost, current interest cost and expected returns on assets) or the consolidated statement of total comprehensive income (actuarial gains and losses).

***Deferred taxation***

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit and
- Investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable group company or
- Different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

***Property, plant and equipment***

Items of property, plant and equipment are initially recognised at cost.

Freehold land and buildings are subsequently carried at fair value, based on periodic valuations by a professionally qualified valuer. Changes in fair value are recognised in other comprehensive income and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognised in profit or loss.

**Notes forming part of the consolidated financial statements  
for the year ended 30 June 2018 (continued)**

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**1 Accounting policies (continued)**

***Property, plant and equipment (continued)***

Freehold land is not depreciated. Depreciation is provided on items of plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

|  |   |                                   |
|--|---|-----------------------------------|
| Freehold buildings                               | - | 4% per annum straight line        |
| Plant and equipment                              | - | 8% - 50% per annum straight line  |
| Fixtures and fittings (including motor vehicles) | - | 20% - 33% per annum straight line |

Assets under construction are recognised at cost and are not depreciated. On completion, the asset is transferred to the appropriate category of property, plant or equipment.

***Inventories***

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

***Pre-award costs***

Costs in respect of prospective contracts are written off to the consolidated statement of profit or loss in the year in which they are incurred. Where contracts are awarded within a financial year, the pre-award costs incurred after it became virtually certain that the contract would be awarded in that year are included in amounts recoverable on contracts.

***Research and development***

Expenditure on research and development activities is written off to the consolidated statement of profit or loss in the year in which it is incurred.

***Provisions***

When appropriate, the Group recognises provisions for liabilities of uncertain timing or amount including those for warranty claims and legal disputes if there is a likelihood that the dispute may lead to a cost to the Group. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the reporting date, discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability.

**2 Critical accounting estimates and judgements**

The Group prepares its financial statements in accordance with adopted IFRS. In applying many accounting principles, it is necessary to make accounting estimates and judgements. These accounting estimates and judgements are often subjective and may be affected by changing circumstances or changes in the Group's analysis. Changes in these accounting estimates and judgements have the potential to materially affect the results of the Group. The accounting policies that would most likely produce materially different results were there to be a change in the underlying accounting estimates and judgements are discussed below. These policies have been applied consistently.

**Notes forming part of the consolidated financial statements  
for the year ended 30 June 2018 (continued)**

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**2 Critical accounting estimates and judgements (continued)**

***Recognition of profits and losses on long term contracts***

A significant proportion of the Group's revenue and profit comes from a small number of large contracts which span several accounting periods. Profit is estimated on a contract-by-contract basis based on the percentage completion of the contract and the final expected outcome on the contract. No profit is taken on a contract until, in the judgement of the Directors, the outcome of that contract can be assessed with reasonable certainty. Losses are provided in full as soon as they are foreseen.

The Directors hold regular meetings to assess the latest position on each significant contract and to review the estimated percentage completion and final outcome calculations.

***Provisions against trade debtors***

The Directors make judgements regarding the level of provision required for potentially uncollectable trade debtors. The Group's customers are principally based in emerging markets and the complex nature of the Group's long-term contracts can mean that collection of trade debtors is subject to local financing arrangements and to negotiations regarding the final completion of a contract. The Group's Directors are closely involved in these negotiations and exercise judgement based on historical experience and a detailed knowledge of the contractual terms.

***Pension benefits***

The Group operates a closed defined benefit pension scheme. The pension cost and recorded liability in the Group's accounts are assessed in accordance with the advice of an independent qualified actuary. The estimates used in the calculations are determined by the Directors, based on discussions with the actuary. The key estimates used include future salary increases, future price inflation, mortality rates and the rate of interest used to discount liabilities. Changes in these estimates could have a significant impact on the reported profit and net assets of the Group.

***Deferred tax***

The amount of deferred tax recognised is dependent on judgements about the realisation or settlement of assets and liabilities. A deferred tax asset is recognised only to the extent that, in the view of the Directors, it is probable that future taxable profits will be available against which the asset can be utilised. The Directors exercise judgement over the likelihood and timing of future profitability, from which estimates are made to establish whether a deferred tax balance should be recognised.

**3 Financial instruments - risk management**

The Group is exposed through its operations to the following financial risks:

- Large contract credit risk
- Foreign currency risk
- Interest rate risk, and
- Liquidity risk.

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. The Group's objectives, policies and processes for managing these financial risks are set out in the strategic report. Further quantitative information in respect of these risks is presented in this note and otherwise throughout these financial statements.

**Notes forming part of the consolidated financial statements  
for the year ended 30 June 2018 (continued)**

**3 Financial instruments - risk management (continued)**

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

**(i) Principal financial instruments**

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and bank balances
- Trade and other payables, and
- Bank overdrafts and short term trading loans.

**(ii) Financial instruments by category**

**Financial assets – loans and receivables**

|                               | <b>2018</b> | <b>2017</b> |
|-------------------------------|-------------|-------------|
|                               | <b>£m</b>   | <b>£m</b>   |
| Cash and bank balances        | 8.5         | 16.8        |
| Trade and other receivables   | 30.6        | 26.5        |
|                               | 39.1        | 43.3        |
| <b>Total financial assets</b> | <b>39.1</b> | <b>43.3</b> |

**Financial liabilities**

|  | <b>2018</b> | <b>2017</b> |
|--|-------------|-------------|
|  | <b>£m</b>   | <b>£m</b>   |
| Trade and other payables                               | 16.3        | 21.6        |
| Bank overdrafts and short term trading loans           | 0.6         | 2.2         |
|  | 16.9        | 23.8        |
| <b>Total financial liabilities – at amortised cost</b> | <b>16.9</b> | <b>23.8</b> |

**(iii) Financial instruments not measured at fair value**

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, trade and other payables, and borrowings.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, trade and other payables and borrowings approximate to their fair values.

**(iv) Financial instruments measured at fair value**

There were no financial instruments measured at fair value.

**Notes forming part of the consolidated financial statements  
for the year ended 30 June 2018 (continued)**

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**3 Financial instruments - risk management (continued)**

**(v) General objectives, policies and processes**

The Board of Directors has overall responsibility for the determination of the Group's risk management objectives and policies. Details of these objectives, policies and processes are given in the Strategic report.

**Large contract credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from entering into long-term contracts with customers across various global jurisdictions. It is the Group policy, implemented locally, to assess the credit risk of new customers before entering into contracts. Details of the Group's management of this risk is set out in the Strategic report.

Credit risk also arises from cash and cash equivalents and deposits with banks.

**Foreign currency risk**

Foreign currency risk arises when individual group entities enter into transactions denominated in a currency other than their functional currency. The Group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

In order to manage currency risk, Board members receive a weekly cash report, analysed by major currency held. The Group's cash position is monitored at regular Board meetings.

**Notes forming part of the consolidated financial statements  
for the year ended 30 June 2018 (continued)**

**3 Financial instruments - risk management (continued)**

**Foreign currency risk (continued)**

The Group's net exposure to foreign exchange risk was as follows:

|   | Functional currency of individual entity |             |            |            |            |              |            |              |             |             |
|---|--|-------------|------------|------------|------------|--------------|------------|--------------|-------------|-------------|
|   | Sterling                                 |             | US Dollar  |            | Euro       |              | Other      |              | Total       |             |
|   | 2018<br>£m                               | 2017<br>£m  | 2018<br>£m | 2017<br>£m | 2018<br>£m | 2017<br>£m   | 2018<br>£m | 2017<br>£m   | 2018<br>£m  | 2017<br>£m  |
| <b>Net financial assets/(liabilities)</b> |  |             |            |            |            |              |            |              |             |             |
| Sterling                                  | 1.2                                      | (0.2)       | -          | -          | -          | -            | -          | -            | 1.2         | (0.2)       |
| US Dollar                                 | 8.0                                      | 17.9        | 3.3        | 1.3        | (0.1)      | (0.1)        | -          | (0.4)        | 11.2        | 18.7        |
| Euro                                      | 2.5                                      | 2.7         | -          | -          | 0.9        | (0.9)        | 0.2        | 1.0          | 3.6         | 2.8         |
| Other                                     | 0.1                                      | 0.2         | -          | -          | -          | -            | 6.1        | (2.0)        | 6.2         | (1.8)       |
| <b>Total net exposure</b>                 | <b>11.8</b>                              | <b>20.6</b> | <b>3.3</b> | <b>1.3</b> | <b>0.8</b> | <b>(1.0)</b> | <b>6.3</b> | <b>(1.4)</b> | <b>22.2</b> | <b>19.5</b> |

The effect of a 5% strengthening of the US Dollar against Sterling at the reporting date on the US Dollar denominated net financial assets carried at that date would, all other variables held constant, have resulted in an increase in profit for the year and increase in net assets of £0.4m (2017: £0.9m). A 5% weakening in the exchange rate would, on the same basis, have decreased profit and decreased net assets by £0.4m (2017: £0.9m).

**Capital disclosure**

The Group's objective when maintaining capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for the shareholders and benefits for other stakeholders. The Group's strategy is to preserve a strong cash base and to maintain a positive net debt position.

**Notes forming part of the consolidated financial statements  
for the year ended 30 June 2018 (continued)**

**4 Revenue**

The geographical areas in which the Group's revenue occurred are as follows:

|                       | <b>Year ended<br/>June 2018<br/>£m</b> | <b>Year ended<br/>June 2017<br/>£m</b> |
|-----------------------|--|--|
| Europe & North Africa | 8.0                                    | 4.7                                    |
| Far East              | 12.5                                   | 29.1                                   |
| Middle East           | 5.2                                    | 17.5                                   |
| Africa                | 2.3                                    | 4.5                                    |
| Americas              | 7.6                                    | 4.4                                    |
|                       | 35.6                                   | 60.2                                   |
|                       | 35.6                                   | 60.2                                   |

Of the Group's recognised revenue of £35.6m, £26.0m (2017: £50.3m) relates to contracting activities and £9.6m (2017: £9.9m) is in respect of the provision of ancillary services.

**5 Employee benefit expenses**

|  | <b>Year ended<br/>June 2018<br/>£m</b> | <b>Year ended<br/>June 2017<br/>£m</b> |
|--|--|--|
| Employee benefit expenses (including Directors of the Group) comprise: |  |  |
| Wages and salaries   | 11.9                                   | 14.8                                   |
| Contributions to defined contribution pension scheme                   | 0.2                                    | 0.2                                    |
| Defined benefit pension scheme administrative costs                    | 0.5                                    | 1.0                                    |
| Social security contributions and similar taxes                        | 0.7                                    | 0.8                                    |
|  | 13.3                                   | 16.8                                   |
|  | 13.3                                   | 16.8                                   |

**Notes forming part of the consolidated financial statements  
for the year ended 30 June 2018 (continued)**

**5 Employee benefit expenses (continued)**

The average number of employees (including Directors of the Group) during the year was as follows:

|                 | Year ended<br>June 2018<br>Number | Year ended<br>June 2017<br>Number |
|-----------------|-----------------------------------|-----------------------------------|
| United Kingdom  | 67                                | 63                                |
| Africa          | 108                               | 114                               |
| Far East        | 18                                | 103                               |
| Middle East     | 2                                 | 2                                 |
| Mainland Europe | 14                                | 15                                |
| Americas        | 84                                | 87                                |
|                 | <hr/>                             | <hr/>                             |
|                 | 293                               | 384                               |
|                 | <hr/>                             | <hr/>                             |

The remuneration of the Directors of the Company included above was as follows:

|   | Year ended<br>June 2018<br>£000 | Year ended<br>June 2017<br>£000 |
|---|---------------------------------|---------------------------------|
| Salaries                                  | 996                             | 1,449                           |
| Other long-term benefits                  | 8                               | 9                               |
| Defined contribution pension scheme costs | 68                              | 60                              |
|   | <hr/>                           | <hr/>                           |
|   | 1,072                           | 1,518                           |
|   | <hr/>                           | <hr/>                           |

The highest paid director received aggregate emoluments of £320,000 (2017: £637,000). The highest paid director did not receive any benefits relating to pension schemes (2017: £nil).

Key management personnel compensation included in total employee benefit expenses were as follows:

|   | Year ended<br>June 2018<br>£000 | Year ended<br>June 2017<br>£000 |
|---|---------------------------------|---------------------------------|
| Salaries                                  | 2,233                           | 2,812                           |
| Other long-term benefits                  | 53                              | 36                              |
| Defined contribution pension scheme costs | 129                             | 99                              |
|   | <hr/>                           | <hr/>                           |
|   | 2,415                           | 2,947                           |
|   | <hr/>                           | <hr/>                           |

**Notes forming part of the consolidated financial statements  
for the year ended 30 June 2018 (continued)**

**5 Employee benefit expenses (continued)**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the Directors listed in the directors' report and members of the Group Executive Committee, which includes operating directors from each region.

**6 Profit from operations and exceptional items**

Profit from operations includes:

|   | <b>Year ended<br/>June 2018</b> | <b>Year ended<br/>June 2017</b> |
|---|---------------------------------|---------------------------------|
|   | <b>£m</b>                       | <b>£m</b>                       |
| Fees payable to the Company's auditor for the audit of the parent company and consolidated financial statements | <b>0.1</b>                      | 0.1                             |
| Fees payable to the Company's auditor for the audit of the Company's subsidiaries                               | <b>0.2</b>                      | 0.2                             |
| Pre-award costs expensed  | <b>1.1</b>                      | 0.3                             |
| Operating leases – property leases  | <b>0.7</b>                      | 0.9                             |
| Release of doubtful debt provisions   | <b>(3.5)</b>                    | (0.6)                           |
|   | <b>—————</b>                    | <b>—————</b>                    |

During the year, doubtful debt provisions made in previous years amounting to £3.5m (2017: £0.6m) were released. These related to amounts due on contracts in the Philippines (£2.0m) and the Dominican Republic (£1.5m) which are now expected to be collected in full following favourable judgements received locally.

Profit from operations (before exceptional items) includes exchange gains of £0.3m in respect of the retranslation of contract debtors and creditors at the period end from overseas contracts undertaken in non-functional currencies (2017: £2.2m gain).

Exceptional items in the year comprise £1.2m exchange losses made in respect of the revaluation of individual entities' intercompany balances at the year-end (2017: £1.0m losses).

**Notes forming part of the consolidated financial statements  
for the year ended 30 June 2018 (continued)**

**7 Finance income and expense**

**Recognised in profit or loss**

|  | <b>Year ended<br/>June 2018<br/>£m</b> | <b>Year ended<br/>June 2017<br/>£m</b> |
|--|--|--|
| <b>Finance income</b>                            |  |  |
| Interest received on bank deposits               | -                                      | 0.1                                    |
|  | <hr/>                                  | <hr/>                                  |
| <b>Total finance income</b>                      | <b>-</b>                               | <b>0.1</b>                             |
|  | <hr/>                                  | <hr/>                                  |
| <b>Finance expense</b>                           |  |  |
| Interest on the net defined benefit liability    | (0.5)                                  | (0.7)                                  |
| Interest on bank overdrafts                      | (0.2)                                  | (0.1)                                  |
|  | <hr/>                                  | <hr/>                                  |
| <b>Total finance expense</b>                     | <b>(0.7)</b>                           | <b>(0.8)</b>                           |
|  | <hr/>                                  | <hr/>                                  |
| Net finance expense recognised in profit or loss | (0.7)                                  | (0.7)                                  |
|  | <hr/>                                  | <hr/>                                  |

**8 Tax credit**

|   | <b>Year ended<br/>June 2018<br/>£m</b> | <b>Year ended<br/>June 2017<br/>£m</b> |
|---|--|--|
| <b>Current tax expense</b>                                  |  |  |
| Overseas tax on profits for the year                        | -                                      | (0.6)                                  |
| Adjustment for under provision in prior years               | (0.7)                                  | (0.1)                                  |
|   | <hr/>                                  | <hr/>                                  |
| <b>Total current tax expense</b>                            | <b>(0.7)</b>                           | <b>(0.7)</b>                           |
|   | <hr/>                                  | <hr/>                                  |
| <b>Deferred tax credit</b>                                  |  |  |
| Origination and reversal of temporary differences (note 17) | 0.7                                    | 0.9                                    |
|   | <hr/>                                  | <hr/>                                  |
| <b>Total deferred tax credit</b>                            | <b>0.7</b>                             | <b>0.9</b>                             |
|   | <hr/>                                  | <hr/>                                  |
| <b>Total tax credit for the year</b>                        | <b>-</b>                               | <b>0.2</b>                             |
|   | <hr/>                                  | <hr/>                                  |

**Notes forming part of the consolidated financial statements  
for the year ended 30 June 2018 (continued)**

**8 Tax credit (continued)**

A reconciliation of the difference between the actual tax credit for the year and the amount that would arise from the standard rate of corporation tax in the United Kingdom applied to the profit/loss for the year is set out below:

|  | <b>Year ended<br/>June 2018<br/>£m</b> | <b>Year ended<br/>June 2017<br/>£m</b> |
|--|--|--|
| Profit for the year                                      | 1.9                                    | 1.4                                    |
| Income tax credit (including deferred taxation)          | -                                      | (0.2)                                  |
|  | 1.9                                    | 1.2                                    |
| Profit before income taxes                               | 1.9                                    | 1.2                                    |
| Tax charge using the UK tax rate of 19% (2017: 19%)      | (0.4)                                  | (0.2)                                  |
| Effects of:  |  |  |
| Expenses not deductible for tax purposes                 | (0.2)                                  | 0.4                                    |
| Capital allowances less than/(in excess of) depreciation | -                                      | 0.4                                    |
| Utilisation of tax losses                                | 1.9                                    | 0.2                                    |
| Unutilised tax losses                                    | (0.9)                                  | (1.1)                                  |
| Recognition of deferred tax assets                       | -                                      | 0.9                                    |
| Different tax rates applied in overseas jurisdictions    | (0.3)                                  | -                                      |
| Adjustments in respect of prior periods                  | (0.7)                                  | (0.1)                                  |
| Other items  | 0.6                                    | (0.3)                                  |
|  | -                                      | 0.2                                    |
| Total tax credit   | -                                      | 0.2                                    |

**Notes forming part of the consolidated financial statements  
for the year ended 30 June 2018 (continued)**

**9 Property, plant and equipment**

|                                 | Freehold<br>land and<br>buildings<br>£m | Plant and<br>equipment<br>£m | Fixtures<br>and fittings<br>£m | Assets under<br>construction<br>£m | Total<br>£m |
|---------------------------------|---|------------------------------|--------------------------------|------------------------------------|-------------|
| <b>Cost or valuation</b>        |   |                              |                                |                                    |             |
| <b>At 1 July 2016</b>           | 0.7                                     | 1.9                          | 3.8                            | -                                  | 6.4         |
| Transfer from current assets    | -                                       | -                            | -                              | 0.6                                | 0.6         |
| Additions                       | -                                       | 0.1                          | 0.1                            | 0.6                                | 0.8         |
| Revaluation                     | 1.3                                     | -                            | -                              | -                                  | 1.3         |
| Disposals                       | -                                       | -                            | (0.3)                          | -                                  | (0.3)       |
| Foreign exchange movements      | -                                       | (0.1)                        | 0.1                            | -                                  | -           |
|                                 | <u>2.0</u>                              | <u>1.9</u>                   | <u>3.7</u>                     | <u>1.2</u>                         | <u>8.8</u>  |
| <b>At 30 June 2017</b>          | 2.0                                     | 1.9                          | 3.7                            | 1.2                                | 8.8         |
| Additions                       | -                                       | 0.1                          | 0.2                            | -                                  | 0.3         |
| Disposals                       | -                                       | (0.2)                        | (0.1)                          | -                                  | (0.3)       |
| Foreign exchange movements      | 0.1                                     | (0.2)                        | -                              | -                                  | (0.1)       |
|                                 | <u>2.1</u>                              | <u>1.6</u>                   | <u>3.8</u>                     | <u>1.2</u>                         | <u>8.7</u>  |
| <b>At 30 June 2018</b>          | 2.1                                     | 1.6                          | 3.8                            | 1.2                                | 8.7         |
| <b>Accumulated depreciation</b> |   |                              |                                |                                    |             |
| <b>At 1 July 2016</b>           | 0.6                                     | 1.8                          | 3.5                            | -                                  | 5.9         |
| Depreciation                    | -                                       | -                            | 0.2                            | -                                  | 0.2         |
| Disposals                       | -                                       | -                            | (0.3)                          | -                                  | (0.3)       |
| Foreign exchange movements      | -                                       | (0.1)                        | -                              | -                                  | (0.1)       |
|                                 | <u>0.6</u>                              | <u>1.7</u>                   | <u>3.4</u>                     | <u>-</u>                           | <u>5.7</u>  |
| <b>At 30 June 2017</b>          | 0.6                                     | 1.7                          | 3.4                            | -                                  | 5.7         |
| Depreciation                    | -                                       | 0.1                          | 0.1                            | -                                  | 0.2         |
| Disposals                       | -                                       | (0.2)                        | (0.1)                          | -                                  | (0.3)       |
| Foreign exchange movements      | -                                       | (0.2)                        | -                              | -                                  | (0.2)       |
|                                 | <u>0.6</u>                              | <u>1.4</u>                   | <u>3.4</u>                     | <u>-</u>                           | <u>5.4</u>  |
| <b>At 30 June 2018</b>          | 0.6                                     | 1.4                          | 3.4                            | -                                  | 5.4         |
| <b>Net book value</b>           |   |                              |                                |                                    |             |
| <b>At 30 June 2018</b>          | 1.5                                     | 0.2                          | 0.4                            | 1.2                                | 3.3         |
| At 30 June 2017                 | 1.4                                     | 0.2                          | 0.3                            | 1.2                                | 3.1         |

**Notes forming part of the consolidated financial statements  
for the year ended 30 June 2018 (continued)**

**9 Property, plant and equipment (continued)**

On 31 March 2017, freehold land and buildings with a carrying value of £0.1m were valued by an external independent valuer at £1.4m. The fair value was determined using a comparison methodology. The resulting revaluation gain of £1.3m was credited to other comprehensive income in the prior year and shown in a separate revaluation reserve.

Freehold land with an historic cost of £0.1m (2017: £0.1m) has not been depreciated.

The net book value of assets under construction of £1.2m (2017: £1.2m) relates to the development of the Group's new integrated IT system which is expected to be fully operational within the next financial year.

In August 2018, the Group's Malaysian subsidiary exchanged contracts for the sale of its freehold property in Kuala Lumpur for a cash sale price of RM9.7m (£1.8m). The carrying value of the property at 30 June 2018 was RM7.7m (£1.4m). The contract completed in December 2018.

**10 Intangible assets - goodwill**

|  | <b>£m</b>         |
|--|-------------------|
| <b>Cost</b>                                    |                   |
| At 30 June 2017 and 30 June 2018               | <b>2.3</b>        |
| <b>Accumulated amortisation and impairment</b> | <u>          </u> |
| At 30 June 2017 and 30 June 2018               | <b>1.0</b>        |
| <b>Net book value</b>                          | <u>          </u> |
| <b>At 30 June 2018</b>                         | <b>1.3</b>        |
|  | <u>          </u> |
| At 30 June 2017                                | <b>1.3</b>        |
|  | <u>          </u> |

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The impairment review requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of those future cash flows. The carrying amount of goodwill is allocated to one cash generating unit ('CGU') in the Americas. The recoverable amount for this CGU has been determined from the value in use calculations based on cash flow projections from approved budgets covering a five year period to 2023.

The operating margins have been based on past experience and future expectations in light of anticipated economic and market conditions. The Group has used a discount rate of 9%, which remains unchanged from the prior year.

No impairment was assessed as being required in the year (2017: £nil).

**Notes forming part of the consolidated financial statements  
for the year ended 30 June 2018 (continued)**

**11 Subsidiaries**

A full list of subsidiary undertakings is set out in note 26 to the consolidated financial statements. All subsidiary undertakings are included in these consolidated financial statements.

On 1 December 2017, the Group completed the sale of its Hong Kong based subsidiary, Biwater Man Lee Limited. Details of the fair value of assets and liabilities disposed of, sale consideration and profit on sale were as follows:

|  | <b>Disposal<br/>fair value<br/>£m</b> |
|--|---------------------------------------|
| Trade and other receivables                      | (1.8)                                 |
| Cash at bank and in hand                         | (0.6)                                 |
|  | (2.4)                                 |
| Total assets                                     | (2.4)                                 |
| Trade and other payables                         | 2.4                                   |
| Borrowings                                       | 3.1                                   |
|  | 3.1                                   |
| <b>Fair value of net liabilities disposed of</b> | <b>3.1</b>                            |
| Cash consideration                               | -                                     |
| Expenses of sale                                 | (0.6)                                 |
|  | 2.5                                   |
| <b>Profit arising on disposal</b>                | <b>2.5</b>                            |

The cash flow arising on disposal is calculated as follows:

|   | <b>Cash flow<br/>£m</b> |
|---|-------------------------|
| Cash at bank disposed of                    | (0.6)                   |
| Overdraft disposed of                       | 3.1                     |
|   | 2.5                     |
| Net cash inflow from borrowings disposed of | 2.5                     |
| Expenses paid out prior to 30 June 2018     | (0.1)                   |
|   | 2.4                     |
| <b>Net cash inflow arising on disposal</b>  | <b>2.4</b>              |

During the financial period up to disposal, Biwater Man Lee Limited contributed £12.5m to the Group's turnover and £4.0m to the Group's profit before and after taxation. It also accounted for £2.3m of the Group's cash outflow from operations.

**Notes forming part of the consolidated financial statements  
for the year ended 30 June 2018 (continued)**

| <b>12 Inventories</b>  | <b>2018</b> | <b>2017</b> |
|--|-------------|-------------|
|  | <b>£m</b>   | <b>£m</b>   |
| Raw materials and consumables  | 0.3         | 0.5         |
|  | <hr/>       | <hr/>       |
| <b>13 Trade and other receivables</b>  | <b>2018</b> | <b>2017</b> |
|  | <b>£m</b>   | <b>£m</b>   |
| Trade receivables  | 17.7        | 18.3        |
| Less: provision for impairment of trade receivables  | (1.6)       | (5.3)       |
|  | <hr/>       | <hr/>       |
| Trade receivables - net  | 16.1        | 13.0        |
| Amounts recoverable on contracts   | 9.7         | 8.7         |
| Prepayments  | 0.5         | 0.7         |
| Other receivables  | 4.3         | 4.1         |
|  | <hr/>       | <hr/>       |
| <b>Total financial assets other than cash and cash equivalents classified as receivables</b> | <b>30.6</b> | <b>26.5</b> |
| Less: non-current portion – other receivables  | (0.5)       | (0.5)       |
|  | <hr/>       | <hr/>       |
| <b>Current portion</b>   | <b>30.1</b> | <b>26.0</b> |
|  | <hr/>       | <hr/>       |

The carrying value of trade receivables and amounts recoverable on contracts approximate to their fair values.

The ageing analysis of trade receivables before impairment provisions is as follows:

|                | <b>2018</b> | <b>2017</b> |
|----------------|-------------|-------------|
|                | <b>£m</b>   | <b>£m</b>   |
| Up to 3 months | 7.9         | 8.7         |
| 3 to 6 months  | 0.8         | 0.3         |
| Over 6 months  | 9.0         | 9.3         |
|                | <hr/>       | <hr/>       |
|                | <b>17.7</b> | <b>18.3</b> |
|                | <hr/>       | <hr/>       |

Receivables over 6 months old of £9.0m (2017: £9.3m) had provisions of £1.6m (2017: £5.3m) against them, which the Directors believe appropriately reflects the net amount recoverable from these items.

Movements in the impairment allowance for trade receivables are included in bad debt expenses in the consolidated statement of profit and loss.

**Notes forming part of the consolidated financial statements  
for the year ended 30 June 2018 (continued)**

**13 Trade and other receivables (continued)**

Movements in the impairment allowance for trade receivables are as follows:-

|  | <b>2018</b> | <b>2017</b> |
|--|-------------|-------------|
|  | <b>£m</b>   | <b>£m</b>   |
| At 1 July  | (5.3)       | (6.8)       |
| Released during the year                               | 3.5         | 0.6         |
| Utilised during the year                               | -           | 0.8         |
| Effect of movements in foreign currency exchange rates | 0.2         | 0.1         |
|  | (1.6)       | (5.3)       |
| At 30 June   | (1.6)       | (5.3)       |

**14 Trade and other payables**

|  | <b>2018</b> | <b>2017</b> |
|--|-------------|-------------|
|  | <b>£m</b>   | <b>£m</b>   |
| Trade payables   | 3.4         | 6.6         |
| Payments on account  | 6.9         | 9.8         |
| Other payables   | 2.3         | 2.7         |
| Accruals   | 3.7         | 2.5         |
|  | 16.3        | 21.6        |
| <b>Total financial liabilities, excluding loans and borrowings,<br/>classified as financial liabilities measured at amortised cost</b> | <b>16.3</b> | <b>21.6</b> |
| Tax and social security payments   | 1.8         | 0.5         |
|  | 18.1        | 22.1        |
| <b>Total trade and other payables</b>  | <b>18.1</b> | <b>22.1</b> |

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates to their fair values.

**Notes forming part of the consolidated financial statements  
for the year ended 30 June 2018 (continued)**

**15 Cash and borrowings**

The book value and fair value of cash and bank balances are as follows:

|  | <b>2018</b> | <b>2017</b> |
|--|-------------|-------------|
|  | <b>£m</b>   | <b>£m</b>   |
| Held in escrow to support bonding facilities       | 4.1         | 4.2         |
| Held on deposit as collateral for bank facilities  | 0.6         | 1.4         |
|  | <hr/>       | <hr/>       |
| Total cash held as collateral and restricted funds | 4.7         | 5.6         |
| Unrestricted bank and cash balances                | 3.8         | 11.2        |
|  | <hr/>       | <hr/>       |
| <b>Total cash and cash equivalents</b>             | <b>8.5</b>  | <b>16.8</b> |
|  | <hr/> <hr/> | <hr/> <hr/> |

Cash is held as security in the normal course of business by certain banks in relation to contract bonding and overdraft facilities provided to subsidiary companies of the Group.

The book value and fair value of borrowings are as follows:

|                         | <b>2018</b> | <b>2017</b> |
|-------------------------|-------------|-------------|
|                         | <b>£m</b>   | <b>£m</b>   |
| <b>Current</b>          |             |             |
| Overdrafts              | 0.6         | 0.7         |
| Short term trading loan | -           | 1.5         |
|                         | <hr/>       | <hr/>       |
| <b>Total borrowings</b> | <b>0.6</b>  | <b>2.2</b>  |
|                         | <hr/> <hr/> | <hr/> <hr/> |

The Group's overdrafts are repayable on demand.

**Notes forming part of the consolidated financial statements  
for the year ended 30 June 2018 (continued)**

**16 Employee benefit liabilities**

Liabilities for employee benefits comprise:

|                                  | <b>2018</b> | <b>2017</b> |
|----------------------------------|-------------|-------------|
|                                  | <b>£m</b>   | <b>£m</b>   |
| Defined benefit scheme (note 21) | 14.0        | 17.6        |
| Defined contribution scheme      | 0.1         | 0.1         |
|                                  | 14.1        | 17.7        |
|                                  | 14.1        | 17.7        |
| Categorised as:                  |             |             |
| Current - accruals               | 0.1         | 0.1         |
| Non-current                      | 14.0        | 17.6        |
|                                  | 14.1        | 17.7        |
|                                  | 14.1        | 17.7        |

Details of the key accounting estimates and assumptions in relation to the defined benefit scheme are set out in notes 2 and 21.

**17 Deferred tax**

The movement on the deferred tax account is as shown below:

|   | <b>2018</b> | <b>2017</b> |
|---|-------------|-------------|
|   | <b>£m</b>   | <b>£m</b>   |
| Deferred tax asset at start of year                           | 12.7        | 12.0        |
| <i>Recognised in profit and loss:</i>                         |             |             |
| Tax credit  | 0.7         | 0.9         |
| <i>Recognised in other comprehensive income:</i>              |             |             |
| Tax relating to defined benefit pension scheme re-measurement | (0.9)       | (0.2)       |
|   | 12.5        | 12.7        |
| Deferred tax asset at end of year                             | 12.5        | 12.7        |

**Notes forming part of the consolidated financial statements  
for the year ended 30 June 2018 (continued)**

**17 Deferred tax (continued)**

The deferred tax asset at 30 June is recognised in the consolidated statement of financial position as follows:

|   | <b>2018</b> | <b>2017</b> |
|---|-------------|-------------|
|   | <b>£m</b>   | <b>£m</b>   |
| Recognised in non-current assets                        | 9.4         | 8.7         |
| Deducted from gross pension deficit provision (note 21) | 3.1         | 4.0         |
|   | 12.5        | 12.7        |
| Deferred tax asset at 30 June                           | <b>12.5</b> | <b>12.7</b> |

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the Directors believe it is probable that the relevant asset will be recovered. The composition of deferred tax assets recognised and unrecognised is as follows:

|  | 30 June 2018     |                    | 30 June 2017     |                    |
|--|------------------|--------------------|------------------|--------------------|
|  | Recognised<br>£m | Unrecognised<br>£m | Recognised<br>£m | Unrecognised<br>£m |
| Employee benefit pension deficit           | 3.1              | -                  | 4.0              | -                  |
| Accelerated capital allowances             | 0.8              | 0.1                | 0.7              | 0.1                |
| Other temporary and deductible differences | -                | 8.8                | 0.1              | 8.5                |
| Available losses                           | 8.6              | 12.1               | 7.9              | 14.2               |
|  | <b>12.5</b>      | <b>21.0</b>        | 12.7             | 22.8               |

A deferred tax asset decrease of £0.2m (2017: increase of £0.7m) was recognised in the year. A credit of £0.7m (2017: £0.9m) was recognised in the consolidated statement of profit or loss, offset by a charge of £0.9m (2017: £0.2m) recognised in other comprehensive income.

The unused tax losses and temporary differences can be carried forward indefinitely.

**18 Share capital**

|                             | Authorised, issued and fully paid |             |               | <b>2017</b> |
|-----------------------------|-----------------------------------|-------------|---------------|-------------|
|                             | <b>2018</b>                       | <b>2018</b> | <b>2017</b>   |             |
|                             | <b>Number</b>                     | <b>£m</b>   | <b>Number</b> | <b>£m</b>   |
| Ordinary shares of 25p each | <b>120,000,000</b>                | <b>30.0</b> | 120,000,000   | 30.0        |
|                             | <b>120,000,000</b>                | <b>30.0</b> | 120,000,000   | 30.0        |

**Notes forming part of the consolidated financial statements  
for the year ended 30 June 2018 (continued)**

**19 Reserves**

The following describes the nature and purpose of each reserve within equity:

| <b>Reserves</b>                   | <b>Description and purpose</b>   |
|-----------------------------------|--|
| <i>Revaluation reserve</i>        | Gains/losses arising on the revaluation of the Group's freehold land and buildings.                    |
| <i>Capital redemption reserve</i> | Amounts transferred from share capital on redemption of issued shares.                                 |
| <i>Foreign exchange reserve</i>   | Gains/losses arising on retranslating the net assets of overseas operations into Sterling.             |
| <i>Retained loss</i>              | All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere. |

**20 Leases**

*Finance lease liabilities - lessee*

The Group has no significant finance lease liabilities.

*Operating leases - lessee*

The Group occupies a number of leased properties. The terms of property leases vary from country to country, although they all tend to be tenant repairing with periodic rent reviews.

The total future value of minimum lease payments is due as follows:

|   | <b>2018</b> | <b>2017</b> |
|---|-------------|-------------|
|   | <b>£m</b>   | <b>£m</b>   |
| Not later than one year                           | <b>0.2</b>  | 0.7         |
| Later than one year and not later than five years | <b>2.3</b>  | 2.2         |
| Later than five years                             | <b>4.9</b>  | 0.1         |
|   | <hr/>       | <hr/>       |
|   | <b>7.4</b>  | 3.0         |
|   | <hr/>       | <hr/>       |

**Notes forming part of the consolidated financial statements  
for the year ended 30 June 2018 (continued)**

**20 Leases (continued)**

*Operating leases - lessor*

Sub-lease rental income receivable for the year to 30 June 2018 was £0.1m (2017: £0.3m).

The minimum rent receivable under non-cancellable operating leases is as follows:

|   | <b>2018</b> | <b>2017</b> |
|---|-------------|-------------|
|   | <b>£m</b>   | <b>£m</b>   |
| Not later than one year                           | 0.1         | 0.2         |
| Later than one year but not later than five years | 0.2         | 0.5         |
|   | 0.3         | 0.7         |

**21 Employee benefit pension schemes**

***Defined contribution scheme***

The Group operates a defined contribution scheme for employees of Biwater Holdings Limited and Biwater International Limited, the assets of which are held separately from those of the Group in an independently administered fund. Each participating employer pays age-related contributions in respect of members of the scheme. These contributions are charged to the consolidated statement of profit or loss in the period in which they are made. The charge for the current year was £0.2m (2017: £0.2m).

***Defined benefit scheme***

The Group operates a defined benefit scheme for its UK employees known as the Biwater Retirement and Security Scheme ('BRASS'). The scheme is exposed to a number of risks, and these are discussed in the Strategic report.

The Main Section of BRASS is a multi-employer funded defined benefit scheme which offers both pensions in retirement and death benefits to members. The residual liability remains with Biwater Holdings Limited and its subsidiary, Biwater International Limited. Pension benefits are related to the member's final salary at retirement and their length of service. As the scheme is closed, no further pension benefits will accrue. Contributions to the scheme for the year beginning 1 July 2018 are expected to be £2.6m.

**Notes forming part of the consolidated financial statements  
for the year ended 30 June 2018 (continued)**

**21 Employee benefit pension schemes (continued)**

**Defined benefit scheme (continued)**

A full actuarial valuation of the scheme was carried out as at 31 March 2016 and has been updated to 30 June 2018 (and was updated to 30 June 2017) by a qualified independent actuary. The major assumptions used by the actuary in determining the present value of the pension obligation were (in nominal terms) as follows:

|  | <b>2018</b>  | <b>2017</b> |
|--|--------------|-------------|
| Discount rate  | <b>2.55%</b> | 2.60%       |
| Inflation assumption (RPI)                             | <b>3.10%</b> | 3.10%       |
| Rate of increase in salaries                           | <b>2.85%</b> | 2.85%       |
| RPI(3,5) pension increases                             | <b>3.45%</b> | 3.45%       |
|  |              |             |
| Assumed life expectancies on retirement at age 65 are: |              |             |
| Retiring today - males                                 | <b>21.8</b>  | 21.8        |
| Retiring today - females                               | <b>23.7</b>  | 23.9        |
| Retiring in 20 years time - males                      | <b>22.8</b>  | 22.9        |
| Retiring in 20 years time – females                    | <b>24.9</b>  | 25.2        |
|  | <hr/>        | <hr/>       |

The expected future lifetime of a male pensioner aged 65 is 21.8 years. For a future male pensioner retiring in 20 years, this increases to 22.8 years.

**Notes forming part of the consolidated financial statements  
for the year ended 30 June 2018 (continued)**

**21 Employee benefit pension schemes (continued)**

**Defined benefit scheme (continued)**

The assets in the scheme are analysed as follows:

|   | <b>2018</b>   | <b>2017</b>   |
|---|---------------|---------------|
|   | <b>£m</b>     | <b>£m</b>     |
| Property  | 6.6           | 5.8           |
| Corporate Bonds   | 7.6           | 7.4           |
| Government Bonds  | 4.0           | 3.9           |
| Cash  | 0.6           | 0.4           |
| LDI   | 11.6          | 10.7          |
| Diversified Growth Funds                                | 12.9          | 16.5          |
| Equity Linked Bond Funds                                | 33.0          | 30.0          |
|   | 76.3          | 74.7          |
| Fair value of scheme assets at the year end             |               |               |
|   | 5.0           | 7.9           |
| The actual return on assets over the year was:          |               |               |
|   | (93.4)        | (96.3)        |
| Present value of funded obligations                     |               |               |
| Fair value of scheme assets                             | 76.3          | 74.7          |
|   | (17.1)        | (21.6)        |
| Deficit in funded scheme                                |               |               |
| Related deferred tax asset recognised                   | 3.1           | 4.0           |
|   | (14.0)        | (17.6)        |
| <b>Net liability in statement of financial position</b> | <b>(14.0)</b> | <b>(17.6)</b> |

Prices for bonds and the component parts of other funds are quoted in active markets.

No property scheme assets are occupied by the Group.

**Notes forming part of the consolidated financial statements  
for the year ended 30 June 2018 (continued)**

**21 Employee benefit pension schemes (continued)**

**Defined benefit scheme (continued)**

Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

|   | <b>2018</b>  | <b>2017</b> |
|---|--------------|-------------|
|   | <b>£m</b>    | <b>£m</b>   |
| Benefit obligation at beginning of year | <b>96.3</b>  | 90.0        |
| Interest cost                           | <b>2.4</b>   | 2.7         |
| Net re-measurement losses – financial   | <b>0.7</b>   | 7.3         |
| Net re-measurement gains – demographic  | <b>(0.7)</b> | (1.9)       |
| Net re-measurement losses - experience  | -            | 1.8         |
| Benefits paid                           | <b>(5.3)</b> | (3.6)       |
|   | <hr/>        | <hr/>       |
| Benefit obligation at end of year       | <b>93.4</b>  | 96.3        |
|   | <hr/>        | <hr/>       |

Reconciliation of opening and closing balances of the fair value of scheme assets:

|  | <b>2018</b>  | <b>2017</b> |
|--|--------------|-------------|
|  | <b>£m</b>    | <b>£m</b>   |
| Fair value of scheme assets at beginning of year | <b>74.7</b>  | 66.7        |
| Interest income on scheme assets                 | <b>1.9</b>   | 2.0         |
| Return on assets, excluding interest income      | <b>3.2</b>   | 5.9         |
| Contributions by employers                       | <b>2.3</b>   | 4.7         |
| Benefits paid                                    | <b>(5.3)</b> | (3.6)       |
| Scheme administrative costs                      | <b>(0.5)</b> | (1.0)       |
|  | <hr/>        | <hr/>       |
| Fair value of scheme assets at end of year       | <b>76.3</b>  | 74.7        |
|  | <hr/>        | <hr/>       |

Amounts recognised in profit or loss:

|   | <b>2018</b> | <b>2017</b> |
|---|-------------|-------------|
|   | <b>£m</b>   | <b>£m</b>   |
| Service cost – employee benefit expenses          | <b>0.5</b>  | 1.0         |
| Net interest on the net defined benefit liability | <b>0.5</b>  | 0.7         |
|   | <hr/>       | <hr/>       |
| Total expense                                     | <b>1.0</b>  | 1.7         |
|   | <hr/>       | <hr/>       |

**Notes forming part of the consolidated financial statements  
for the year ended 30 June 2018 (continued)**

**21 Employee benefit pension schemes (continued)**

**Defined benefit scheme (continued)**

Re-measurements of the net defined benefit liability recognised in other comprehensive income:

|   | <b>2018</b> | <b>2017</b> |
|---|-------------|-------------|
|   | <b>£m</b>   | <b>£m</b>   |
| Net re-measurement – financial  | 0.7         | 7.3         |
| Net re-measurement – demographic  | (0.7)       | (1.9)       |
| Net re-measurement – experience   | -           | 1.8         |
| Return on assets, excluding interest income                                 | (3.2)       | (5.9)       |
|   | <hr/>       | <hr/>       |
| Total re-measurement of the net defined benefit liability – (credit)/charge | (3.2)       | 1.3         |
|   | <hr/>       | <hr/>       |

Sensitivities regarding the discount rate, inflation and mortality assumptions used to measure the liabilities of the scheme are set out below:

|  | <b>2018</b> | <b>2017</b> |
|--|-------------|-------------|
|  | <b>£m</b>   | <b>£m</b>   |
| <b>Increase/(decrease) in scheme liabilities</b>   |             |             |
| Discount rate – increase by 0.25%                  | (3.2)       | (3.4)       |
| Rate of inflation (RPI) – increase by 0.25%        | 0.5         | 0.5         |
| Assumed life expectancy at 65 – increase by 1 year | 4.4         | 4.3         |
|  | <hr/>       | <hr/>       |

**22 Related party transactions**

Details of directors' remuneration are given in note 5.

Sir Adrian White, the ultimate controlling party of the Group, is a director of the Company. His out of pocket expenses including travel were £9,000 (2017: £20,000) and he received a short term loan from the Company of £106,000 (2017: £309,000). At 30 June 2018 there was an outstanding balance payable to the Company of £444,000 (2017: £329,000).

**Notes forming part of the consolidated financial statements  
for the year ended 30 June 2018 (continued)**

**23 Contingent liabilities**

A local contractor in the Dominican Republic who commenced legal proceedings in September 2007 against Biwater International limited ('BIL'), was awarded damages in May 2016 by the Constitutional Tribunal of the Dominican Republic amounting to \$9 million. BIL still remains resolute that it has no case to answer and no liability outstanding and that the courts of the Dominican Republic acted in error in permitting the case to proceed despite a clear intention of the parties for English Law and for English jurisdiction to prevail in the contract. The Group has no assets in the Dominican Republic against which this judgement could be enforced and to date no action or threat of action has been received by BIL in the United Kingdom in respect of this matter, where BIL considers that it could defend any such action.

Other contingent liabilities exist:

a) Under indemnities and guarantees to banks and underwriters for contract bonds in the normal course of business amounting to £11.3m (2017: £13.2m). Of this figure £4.1m (2017: £4.2m) is held as cash collateral and is reported in the cash balances of the Group.

b) Under claims made against the Group in the normal course of business arising from disputes on long-term contracts and in respect of contractual claims for liquidated damages. Consideration is given by the Directors to all such claims at each reporting date and provision is made if any liability is considered likely.

**24 Note supporting the consolidated statement of cash flows**

Cash and cash equivalents for the purposes of the statement of cash flows comprises:

|  | <b>2018</b>  | <b>2017</b> |
|--|--------------|-------------|
|  | <b>£m</b>    | <b>£m</b>   |
| Unrestricted bank and cash balances (note 15)    | <b>3.8</b>   | 11.2        |
| Overdrafts and short term trading loan (note 15) | <b>(0.6)</b> | (2.2)       |
|  | <hr/>        | <hr/>       |
| Cash and cash equivalents                        | <b>3.2</b>   | 9.0         |
|  | <hr/>        | <hr/>       |

**25 Controlling interests**

The ultimate controlling party of the Group is Sir Adrian White.

**Notes forming part of the consolidated financial statements  
for the year ended 30 June 2018 (continued)**

**26 Subsidiary undertakings**

A full list of subsidiary undertakings at 30 June 2018 is set out below. All subsidiaries of Biwater Holdings Limited are directly or indirectly 100% owned unless otherwise stated. Directly owned subsidiaries are denoted with a \*. All holdings are of equity share capital unless otherwise stated. The registered office address for all subsidiary undertakings is Biwater House, Station Approach, Dorking, Surrey, RH4 1TZ, UK ('Biwater House'), unless otherwise noted below.

| Name  | Registered office address   |
|---|---|
| Biwater International Limited *                             | Biwater House   |
| Biwater Overseas Limited *                                  | Biwater House   |
| Biwater Construction Limited *                              | Biwater House   |
| Hydro Leasing Limited *                                     | 1, George Street, Glasgow, G2 1AL, UK   |
| Biwater Projects Limited *                                  | Biwater House   |
| Biwater Industries Limited *                                | Biwater House   |
| Biwater International EEMEA Limited                         | 43, Demostheni Severi Avenue, CY-1080-Cyprus  |
| Biwater Inc   | 9, East Loockerman Street, Suite 214, City of Dover, Delaware, USA  |
| Biwater USA Inc   | 9, East Loockerman Street, Suite 214, City of Dover, Delaware, USA  |
| Biwater SA  | 49, Chemin Vert, 69760, Limonest, France  |
| Biwater Algeria Spa   | 126, rue Didouche Mourad, 16000, Algiers, Algeria   |
| Biwater Maroc SA  | 28, Rue Galicia, Hay Ryad Secteur 19, Rabat, Morocco  |
| Biwater Osterreich GmbH                                     | Simmeringer Hauptstrasse 24, Top 2.2.40, 1110, Vienna, Austria  |
| Biwater IBO GmbH  | c/o Main-Taunus, Steuerdienst GmbH, Am Kreishaus 16, 65719 Hofheim, Germany   |
| Biwater Holdings Sdn Bhd                                    | Plaza Damansara, 9 Medan Setia 1, Bukit Damansara, 50490, Kuala Lumpur, Malaysia  |
| ADP Teknologi Sdn Bhd                                       | Plaza Damansara, 9 Medan Setia 1, Bukit Damansara, 50490, Kuala Lumpur, Malaysia  |
| Biwater (Malaysia) Sdn Bhd                                  | Plaza 138, Suite 18.03, 18 <sup>th</sup> floor No. 138 Jalan Ampang, 50450, Kuala Lumpur                                |
| Biwater Environmental Solution Technologies Sdn Bhd         | Plaza 138, Suite 18.03, 18 <sup>th</sup> floor No. 138 Jalan Ampang, 50450, Kuala Lumpur                                |
| Biwater Philippines Inc                                     | 14B, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City, Philippines  |
| Biwater BV  | Herikerbergweg 238, 1101 CM Amsterdam, Netherlands  |
| Biwater Contracting BV                                      | Herikerbergweg 178, 1101 CM Amsterdam, Netherlands  |
| Biwater Nigeria Limited                                     | Plot 12B, Kaduna-Abuja Expressway, Suleja, Niger State, Nigeria   |
| Biwater (Pty) Limited                                       | Pallazzo Tower West, Montecasino, William Nicol Drive, Fourways 2191, South Africa                                      |
| Biwater EKO-AKTIV EAD                                       | 8, Viskiar Planina Str, 1fl, 2ap, Losenits, Sofia 1407, Bulgaria  |
| Biwater Espana SA   | 43, Pasea de la Castellana, Madrid, Spain   |
| Biwater GmbH  | c/o Main-Taunus, Steuerdienst GmbH, Am Kreishaus 16, 65719 Hofheim, Germany   |
| Biwater Polska Sp Zoo                                       | Ul. Leszno 14, 01-192 Warszawa, Poland  |
| Biwater Infrastructure Investment Holding Company WLL – 95% | Mun#141, 14 <sup>th</sup> Floor, Al Jasrah Tower, Building no 95, Road 1702, Area 317, Diplomatic Area, Manama, Bahrain |

**Notes forming part of the consolidated financial statements  
for the year ended 30 June 2018 (continued)**

**26 Subsidiary undertakings (continued)**

| Name  | Registered office address   |
|---|---|
| Biwater Shellabear (Nigeria) Limited            | Plot 12B, Kaduna-Abuja Expressway, Suleja, Niger State, Nigeria   |
| Biwater Pipes (Pty) Limited                     | Pallazzo Tower West, Montecasino, William Nicol Drive, Fourways 2191, South Africa  |
| Biwater Consultores de las Americas             | 11 Calle 0-48, Zona 10, Business Centre Oficina 502, Edificio Diamond, Guatemala City, Guatemala  |
| Biwater Consultores de Guatemala                | 11 Calle 0-48, Zona 10, Business Centre Oficina 502, Edificio Diamond, Guatemala City, Guatemala  |
| Biwater Dominicana Srl                          | Avenida John F Kennedy, Santo Domingo, Republica Dominicana   |
| Biwater Proyectos SA<br>CBV                     | San Carlos 79, Colonia San Angel, DF, CP01000, Mexico<br>Finconsult, Edificio Oficina, Piso 4, Oficina 43, Calle Los Laboratotios, Los Ruices, Caracas, Venezuela |
| CVBA  | Finconsult, Edificio Oficina, Piso 4, Oficina 43, Calle Los Laboratotios, Los Ruices, Caracas, Venezuela  |
| Biwater International Trinidad & Tobago Limited | Suite 101, Bretton Hall, 16 Victoria Avenue, Port of Spain, Trinidad & Tobago   |
| Ames Crosta Limited                             | Biwater House   |
| Ames Crosta Investments Limited *               | Biwater House   |
| Armfield Engineering Limited *                  | Biwater House   |
| Biwater Advisory Services Limited *             | Biwater House   |
| Biwater Ayreshire Limited *                     | 1, George Street, Glasgow, G2 1AL, UK   |
| Biwater Glasgow Limited *                       | 1, George Street, Glasgow, G2 1AL, UK   |
| Biwater Design Limited *                        | Biwater House   |
| Biwater Export Finance Limited *                | Biwater House   |
| Biwater Filtration Limited *                    | Biwater House   |
| Biwater Freight & Travel Limited *              | Biwater House   |
| Biwater (Gauff) Tanzania Limited – 80%          | Biwater House   |
| Biwater Hydro Power Limited *                   | Biwater House   |
| Biwater Investments Limited                     | Biwater House   |
| Biwater Kilmarnock Limited *                    | 1, George Street, Glasgow, G2 1AL, UK   |
| Biwater Leasing Limited *                       | Biwater House   |
| Biwater Loudon Limited *                        | 1, George Street, Glasgow, G2 1AL, UK   |
| Biwater Machinery Limited *                     | Biwater House   |
| Biwater Operations Limited *                    | Biwater House   |
| Biwater Penstock Limited *                      | Biwater House   |
| Biwater Petroleum Limited *                     | Biwater House   |
| Biwater Pipe Linings Limited *                  | Biwater House   |
| Biwater Plant Hire Limited *                    | Biwater House   |
| Biwater Process Plant Limited *                 | Biwater House   |
| Biwater Properties Limited *                    | Biwater House   |
| Biwater Pumps Limited *                         | Biwater House   |
| Biwater Valves Limited *                        | 1, George Street, Glasgow, G2 1AL, UK   |
| Carelec Limited *                               | Biwater House   |
| Chemical & Thermal Engineering Ltd *            | Biwater House   |
| Farmstyles Limited *                            | Biwater House   |
| Farrer Sewage Limited *                         | Biwater House   |

**Notes forming part of the consolidated financial statements  
for the year ended 30 June 2018 (continued)**

**26 Subsidiary undertakings (continued)**

| <b>Name</b>                               | <b>Registered office address</b>  |
|---|---|
| Farrer Wallwin International Limited *    | Biwater House   |
| Ham Baker & Co Limited *                  | Biwater House   |
| Largesearch Limited *                     | Biwater House   |
| Lion (Dorking) Limited *                  | Biwater House   |
| Parman Highways Limited *                 | 1, George Street, Glasgow, G2 1AL, UK   |
| Pastureland Limited *                     | Biwater House   |
| S&B Plastics Limited *                    | Biwater House   |
| Shellabear Price (Scotland) Limited *     | 1, George Street, Glasgow, G2 1AL, UK   |
| Soloextra Limited *                       | Biwater House   |
| Spectrascan Limited *                     | Biwater House   |
| The Clay Cross Company Limited *          | Biwater House   |
| United Filters & Associates Limited *     | Biwater House   |
| United Filters & Engineering Limited      | Biwater House   |
| Wallwin Pumps Limited                     | Biwater House   |
| Biwater St Lucia Limited                  | 7, Jeremie Street, Castries, St Lucia   |
| The Erbil Water Company Limited           | Biwater House   |
| The Sulaimani Water Company Limited       | Biwater House   |
| Emirates Utilities Water & Partners – 30% | PO Box 32555, Abu Dhabi, UAE  |
| Biwater Maldives Private Limited – 50%    | 1 <sup>st</sup> Floor, Dharumavantha Magu Male 20-04,<br>Republic of Maldives |
| Al Maha Water Services LLC – 30%          | Al Firdous Tower Building, Salam Street, Abu Dhabi,<br>UAE                    |
| Biwater International WLL – 49%           | PO Box 22979, Doha, Qatar   |

**Parent company financial statements  
for the year ended 30 June 2018**

**Company balance sheet**

*(Company number 00929686)*

|  | Note | 30 June<br>2018<br>£m | 30 June<br>2017<br>Restated<br>£m |
|--|------|-----------------------|-----------------------------------|
| <b>Fixed assets</b>                            |      |                       |                                   |
| Tangible fixed assets                          | 4    | 1.4                   | 1.2                               |
| Investments                                    | 5    | 110.7                 | 106.8                             |
|  |      | <u>112.1</u>          | <u>108.0</u>                      |
| <b>Current assets</b>                          |      |                       |                                   |
| Debtors: falling due within one year           | 6    | 1.5                   | 1.0                               |
| Debtors: falling due after more than one year  | 7    | 22.4                  | 25.7                              |
|  |      | <u>23.9</u>           | <u>26.7</u>                       |
| Total debtors                                  |      | 23.9                  | 26.7                              |
| Cash at bank and in hand                       | 8    | 0.8                   | 1.1                               |
|  |      | <u>24.7</u>           | <u>27.8</u>                       |
| <b>Creditors: falling due within one year</b>  | 9    | <b>(119.4)</b>        | <b>(114.7)</b>                    |
|  |      | <u>(94.7)</u>         | <u>(86.9)</u>                     |
| <b>Net current liabilities</b>                 |      | <b>(94.7)</b>         | <b>(86.9)</b>                     |
| <b>Total assets less current liabilities</b>   |      | <b>17.4</b>           | <b>21.1</b>                       |
| <b>Pension liability provision, net of tax</b> | 11   | <b>(4.1)</b>          | <b>(5.5)</b>                      |
|  |      | <u>(4.1)</u>          | <u>(5.5)</u>                      |
| <b>Net assets</b>                              |      | <b>13.3</b>           | <b>15.6</b>                       |
|  |      | <u>13.3</u>           | <u>15.6</u>                       |

The notes on pages 56 to 62 form part of these financial statements.

**Parent company financial statements  
for the year ended 30 June 2018 (continued)**

**Company balance sheet (continued)**

(Company number 00929686)

|                                   | <b>30 June<br/>2018<br/>£m</b> | <b>30 June<br/>2017<br/>£m</b> |
|-----------------------------------|--------------------------------|--------------------------------|
| <b>Capital and reserves</b>       |                                |                                |
| Called up share capital           | <b>30.0</b>                    | 30.0                           |
| Capital redemption reserve        | <b>3.0</b>                     | 3.0                            |
| Profit and loss account           | <b>(19.7)</b>                  | (17.4)                         |
|                                   | <hr/>                          | <hr/>                          |
| <b>Equity shareholders' funds</b> | <b>13.3</b>                    | 15.6                           |
|                                   | <hr/>                          | <hr/>                          |

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the year. The Company reported a loss for the year of £3.3m (2017: loss of £7.4m).

Approved by the board of directors on 31 July 2019 and signed on its behalf by:



**P B Stevens**  
Director

**Company statement of changes in equity**

|  | <b>Share<br/>capital<br/>£m</b> | <b>Capital<br/>redemption<br/>reserve<br/>£m</b> | <b>Profit and<br/>loss<br/>£m</b> | <b>Total<br/>equity<br/>£m</b> |
|--|---------------------------------|--|-----------------------------------|--------------------------------|
| <b>At 1 July 2016</b>                    | 30.0                            | 3.0  | (9.6)                             | 23.4                           |
| <b>Comprehensive income for the year</b> |                                 |  |                                   |                                |
| Loss for the year                        | -                               | -  | (7.4)                             | (7.4)                          |
| Other comprehensive income/(loss)        | -                               | -  | (0.4)                             | (0.4)                          |
|  | <hr/>                           | <hr/>  | <hr/>                             | <hr/>                          |
| <b>At 30 June 2017</b>                   | <b>30.0</b>                     | <b>3.0</b>                                       | <b>(17.4)</b>                     | <b>15.6</b>                    |
| <b>Comprehensive income for the year</b> |                                 |  |                                   |                                |
| Loss for the year                        | -                               | -  | (3.3)                             | (3.3)                          |
| Other comprehensive income/(loss)        | -                               | -  | 1.0                               | 1.0                            |
|  | <hr/>                           | <hr/>  | <hr/>                             | <hr/>                          |
| <b>At 30 June 2018</b>                   | <b>30.0</b>                     | <b>3.0</b>                                       | <b>(19.7)</b>                     | <b>13.3</b>                    |
|  | <hr/>                           | <hr/>  | <hr/>                             | <hr/>                          |

The notes on pages 56 to 62 form part of these financial statements.

**Parent company financial statements  
for the year ended 30 June 2018 (continued)**

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**1 Company accounting policies**

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 and accordingly the Company has applied Financial Reporting Standard 101 *Reduced Disclosure Framework* ('FRS 101').

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, presentation of a cash flow statement and certain related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements.

The Company financial statements have been prepared on the historical cost basis and the principal accounting policies adopted, where applicable, are the same as those set out in note 1 to the consolidated financial statements, except as noted below.

Investments in subsidiaries are stated at cost less any provision for impairment.

***Going concern***

In determining the appropriate basis of preparation of these financial statements, the Directors are required to consider whether the Group and the Company can continue in operational existence for the foreseeable future.

Based on the latest trading expectations and associated cash flow forecasts of the Group headed by Biwater Holdings Limited, the Directors have considered the cash requirements of the Group and the Company and believe that the Group and the Company will be able to continue in operations and meet its liabilities as they fall due for at least the next twelve months following approval of these financial statements. As such the financial statements have been prepared on a going concern basis.

The Directors recognise that inherent within international contracting are uncertainties around the timing and receipt of significant contract sums. The Directors have forecast future expected receipts in respect of a number of signed international long-term contracts over the forecast period of 12 months from the date of signing these financial statements using their considerable experience of the industry; although, the timing of financial close of these signed contracts and therefore the ability to draw down related contracted amounts is uncertain. If a number of significant receipts on these signed contracts are not achieved as forecast, the Group may require additional funding. The board and the main shareholder are well advanced and confident in discussions in respect of a number of funding options with various third parties and have signed heads of terms with a reputable lender for a credit approved £2.5 million banking facility. In addition, the board are considering other options which would bring additional funding into the Group. Conversely, until these projects and funding options commence, there is a material uncertainty which may cast significant doubt over the Group's and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

**Restatement**

During the period, the Directors identified that amounts owed to subsidiary undertakings had been incorrectly classified as due in more than one year. The Directors have updated the comparatives to reflect these as amounts due within one year. There was no impact on net assets or the income statement for the period.

**Parent company financial statements  
for the year ended 30 June 2018 (continued)**

**2 Auditor's remuneration**

The auditor's remuneration for audit and other services provided to the Company is disclosed in the notes to the consolidated financial statements.

**3 Employee benefit expenses**

|  | <b>Year ended<br/>June 2018</b> | <b>Year ended<br/>June 2017</b> |
|--|---------------------------------|---------------------------------|
|  | <b>£m</b>                       | <b>£m</b>                       |
| Employee benefit expenses (including Directors of the Company) comprise: |                                 |                                 |
| Wages and salaries   | 0.6                             | 1.0                             |
| Contributions to defined benefit pension scheme                          | 0.1                             | 0.2                             |
| Social security contributions  | 0.1                             | 0.1                             |
|  | 0.8                             | 1.3                             |

The average number of employees (including Directors of the Company) during the year was 4, all of whom are based in the UK (2017: 4, all based in the UK).

The remuneration of the Directors of the Company included above was as follows:

|   | <b>Year ended<br/>June 2018</b> | <b>Year ended<br/>June 2017</b> |
|---|---------------------------------|---------------------------------|
|   | <b>£000</b>                     | <b>£000</b>                     |
| Salaries                                  | 996                             | 1,449                           |
| Other long-term benefits                  | 8                               | 9                               |
| Defined contribution pension scheme costs | 68                              | 60                              |
|   | 1,072                           | 1,518                           |

The highest paid director received aggregate emoluments of £320,000 (2017: £637,000). The highest paid director did not receive any benefits relating to pension schemes (2017: £nil).

**Parent company financial statements  
for the year ended 30 June 2018 (continued)**

**4 Tangible fixed assets**

|  | Fixtures<br>and fittings<br>£m | Assets under<br>construction<br>£m | Total<br>£m |
|--|--------------------------------|------------------------------------|-------------|
| <b>Cost or valuation</b>                             |                                |                                    |             |
| <b>At 1 July 2016</b>                                | 2.2                            | -                                  | 2.2         |
| Transfer from current assets                         | -                              | 0.6                                | 0.6         |
| Additions  | -                              | 0.6                                | 0.6         |
|  | <hr/>                          | <hr/>                              | <hr/>       |
| <b>At 30 June 2017</b>                               | 2.2                            | 1.2                                | 3.4         |
| Additions  | 0.2                            | -                                  | 0.2         |
|  | <hr/>                          | <hr/>                              | <hr/>       |
| <b>At 30 June 2018</b>                               | 2.4                            | 1.2                                | 3.6         |
|  | <hr/>                          | <hr/>                              | <hr/>       |
| <b>Accumulated depreciation</b>                      |                                |                                    |             |
| <b>At 1 July 2016, 30 June 2017 and 30 June 2018</b> | 2.2                            | -                                  | 2.2         |
|  | <hr/>                          | <hr/>                              | <hr/>       |
| <b>Net book value</b>                                |                                |                                    |             |
| <b>At 30 June 2018</b>                               | 0.2                            | 1.2                                | 1.4         |
|  | <hr/>                          | <hr/>                              | <hr/>       |
| At 30 June 2017                                      | -                              | 1.2                                | 1.2         |
|  | <hr/>                          | <hr/>                              | <hr/>       |

The net book value of assets under construction of £1.2m (2017: £1.2m) relates to the development of the Group's new integrated IT system which is expected to be fully operational within the next financial year.

**5 Investments in group subsidiaries**

|  | 2018<br>£m | 2017<br>£m |
|--|------------|------------|
| Cost and net book value:               |            |            |
| At 1 July                              | 106.8      | 101.1      |
| Additions                              | 3.9        | 5.7        |
| Disposals                              | (5.7)      | -          |
| Impairment provisions made in the year | -          | (7.8)      |
| Release of existing provisions         | 5.7        | 7.8        |
|  | <hr/>      | <hr/>      |
| As at 30 June                          | 110.7      | 106.8      |
|  | <hr/>      | <hr/>      |

**Parent company financial statements  
for the year ended 30 June 2018 (continued)**

**5 Investments in group subsidiaries (continued)**

On 1 December 2017, the Company disposed of its entire investment in Biwater Man Lee Limited in Hong Kong ('Man Lee') for proceeds of £nil. The Company's investment in Man Lee had been fully provided against in the previous year in anticipation of the disposal. Costs of £0.6m associated with the disposal have been written off to profit and loss in the current year.

On 28 June 2018, the Company subscribed for 783,000 shares with a nominal value of €5.72 each in Biwater SA in France for a consideration of €4.5m (£3.9m), paid by way of the capitalisation of amounts due to the Company from Biwater SA.

The Directors have carried out an impairment review of the carrying value of the investments at 30 June 2018. This resulted in additional provisions of £nil (2017: £7.8m) to write down the carrying value of certain subsidiaries to their expected realisable values. It also resulted in the release of £nil (2017: £7.8m) to reduce an existing provision against a subsidiary company.

The Company's principal subsidiaries, which are directly owned, are:

| Name                                    | Country of incorporation and principal place of business | Proportion of ownership interest at 30 June |      |
|---|--|---|------|
|   |  | 2018  | 2017 |
| Biwater International Limited           | United Kingdom   | 100%  | 100% |
| Biwater Man Lee Limited (sold Dec 2017) | Hong Kong  | -%  | 100% |
| Biwater SA                              | France   | 82%   | 36%  |
| Biwater Overseas Limited                | United Kingdom   | 100%  | 100% |
| Biwater Construction Limited            | United Kingdom   | 100%  | 100% |

Full details of the Company's subsidiaries is set out in the notes to the consolidated financial statements.

**6 Debtors: falling due within one year**

|                                | 2018<br>£m | 2017<br>£m |
|--------------------------------|------------|------------|
| Prepayments and accrued income | 0.9        | 0.8        |
| Corporation tax recoverable    | 0.6        | 0.2        |
|                                | 1.5        | 1.0        |

**Parent company financial statements  
for the year ended 30 June 2018 (continued)**

**7 Debtors: falling due after more than one year**

|  | <b>2018</b> | <b>2017</b> |
|--|-------------|-------------|
|  | <b>£m</b>   | <b>£m</b>   |
| Amounts due from subsidiary undertakings | 17.7        | 20.7        |
| Deferred tax (note 10)                   | 4.7         | 5.0         |
|  | 22.4        | 25.7        |
|  | 22.4        | 25.7        |

**8 Cash at bank and in hand**

|  | <b>2018</b> | <b>2017</b> |
|--|-------------|-------------|
|  | <b>£m</b>   | <b>£m</b>   |
| Cash held on deposit as collateral for bank facilities | 0.7         | 0.7         |
| Unrestricted bank and cash balances                    | 0.1         | 0.4         |
|  | 0.8         | 1.1         |
|  | 0.8         | 1.1         |

Cash is held as collateral with British Arab Commercial Bank plc for bonding provided in the normal course of business.

**9 Creditors: falling due within one year**

|   | <b>2018</b> | <b>2017</b>            |
|---|-------------|------------------------|
|   | <b>£m</b>   | <b>Restated<br/>£m</b> |
| Trade creditors                         | 0.4         | 0.4                    |
| Taxation and social security            | 0.1         | 0.2                    |
| Accruals and deferred income            | 0.9         | 0.4                    |
| Amounts owed to subsidiary undertakings | 118.0       | 113.7                  |
|   | 119.4       | 114.7                  |
|   | 119.4       | 114.7                  |

**Parent company financial statements  
for the year ended 30 June 2018 (continued)**

**10 Deferred tax**

A deferred tax asset has been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the Directors believe it is probable that the relevant asset will be recovered. Details of the deferred tax assets recognised and unrecognised are as follows:

|                                  | 30 June 2018     |                    | 30 June 2017     |                    |
|----------------------------------|------------------|--------------------|------------------|--------------------|
|                                  | Recognised<br>£m | Unrecognised<br>£m | Recognised<br>£m | Unrecognised<br>£m |
| Accelerated capital allowances   | 0.3              | -                  | 0.3              | -                  |
| Other temporary differences      | -                | 6.0                | -                | 6.0                |
| Available losses                 | 4.4              | 6.6                | 4.7              | 5.2                |
|                                  | <u>4.7</u>       | <u>12.6</u>        | <u>5.0</u>       | <u>11.2</u>        |
| Employee benefit pension deficit | 0.9              | -                  | 1.3              | -                  |
|                                  | <u>5.6</u>       | <u>12.6</u>        | <u>6.3</u>       | <u>11.2</u>        |

The recognised deferred tax is included in the balance sheet of the Company as follows:

|   | 2018<br>£m | 2017<br>£m |
|---|------------|------------|
| Included in debtors due after more than one year        | 4.7        | 5.0        |
| Deducted from gross pension deficit provision (note 11) | 0.9        | 1.3        |
|   | <u>5.6</u> | <u>6.3</u> |

**Parent company financial statements  
for the year ended 30 June 2018 (continued)**

**11 Pension liability provision**

|                                      | <b>2018</b> | <b>2017</b> |
|--------------------------------------|-------------|-------------|
|                                      | <b>£m</b>   | <b>£m</b>   |
| Deficit in scheme                    | 5.0         | 6.8         |
| Related deferred tax asset (note 10) | (0.9)       | (1.3)       |
|                                      | 4.1         | 5.5         |
|                                      | 4.1         | 5.5         |

Further information relating to the Company's liabilities under pension arrangements is given in the notes to the consolidated financial statements.

**12 Leases**

*Operating lease - lessee*

The Company occupies a tenant repairing leased property with periodic rent reviews.

The total future value of minimum lease payments is due as follows:

|   | <b>2018</b> | <b>2017</b> |
|---|-------------|-------------|
|   | <b>£m</b>   | <b>£m</b>   |
| Not later than one year                           | 0.2         | 0.6         |
| Later than one year and not later than five years | 2.3         | 1.7         |
| Later than five years                             | 4.9         | -           |
|   | 7.4         | 2.3         |
|   | 7.4         | 2.3         |

**13 Contingent liabilities**

Contingent liabilities exist under parent company guarantees given by the Company in respect of contractual arrangements entered into by group undertakings amounting to £5.8m (2017: £5.9m).