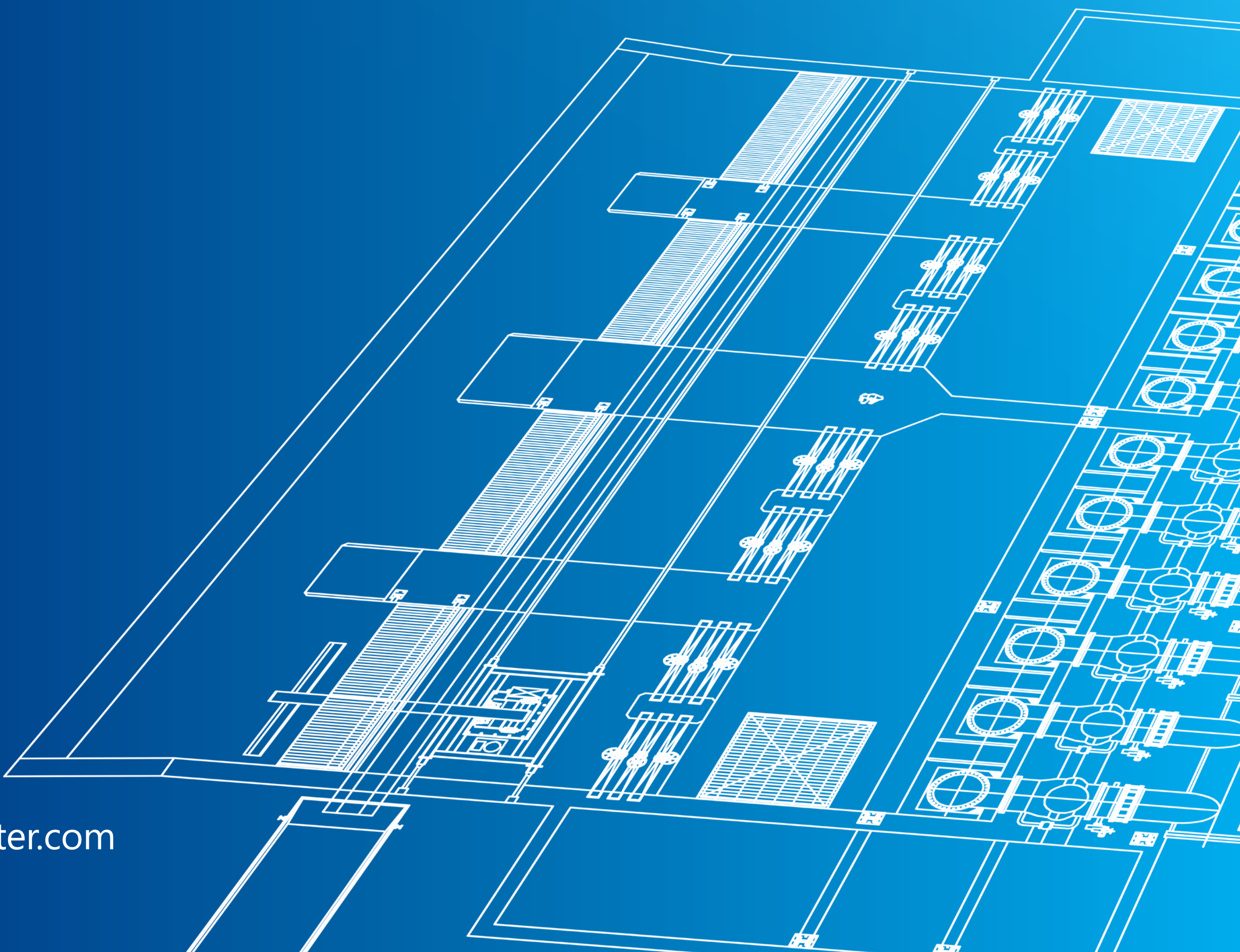
Biwater

Consolidated Financial Statements

Year Ended 30 June 2017



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Company Information

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, 31 Chertsey Street, Guildford, Surrey, GU1 4HD
Company Number	929686

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

Chairman's statement

As the Biwater Group approaches its 50th anniversary, I am proud to see the continued positive impact we are having around the world in combating water scarcity and the lack of adequate sanitation, as population growth, displaced and migrating people, and aging infrastructure, continues to require the unique blend of holistic water treatment solutions that Biwater provide.

Our construction standards continue to ensure that the robust facilities we design and build stand the test of time and even extreme weather conditions as seen this year, with severe storms impacting island nations in the Caribbean, where the Biwater designed and built seawater desalination plant, located in Tortola in the British Virgin Islands, was used as a shelter against the powerful and devastating hurricane Irma.

Delivering long-lasting and appropriate technologies, combined with a suitable financing solution, is our key differentiation in the market. Major projects in Cameroon and Kurdistan are testament to this, as they continue through their development phases, ensuring these export credit agency guaranteed debt finance projects comply with all local and international regulatory requirements ahead of construction.

Developing the latest technologies and supporting clients with their goals to be better stewards of the environment, remains a key focus across the Group. This is especially important in North America, where our Desalination and Membrane Treatment Centre of Excellence is embarking on new advanced water treatment plants that harness the reuse potential of water. In Daytona Beach, Florida, a new direct potable reuse project is underway, alongside ongoing reverse osmosis design and installation projects in California, Florida and North Carolina.

Our 2017 financial results reflect an increase in turnover and profitability as the Group delivers on its contractual commitments across the globe, continuing to go from strength-to-strength. We have seen a significant increase in the Group's liquidity and shareholder value, with over £1 billion of work in hand from signed contracts, which we will see converted to revenue over the next four years.

Following the implementation of a new integrated suite of Information Technology solutions, we continue to focus on our restructuring and growth, driven by business processes rather than traditional disciplines. This has allowed further enhancement of our enterprise risk management processes within the organisation, enabling us to seize opportunities linked to our ambitious business objectives.

In time for our 50th anniversary celebrations, we will be launching a new website, which will better position us in the marketplace and ensure that Company insights and content are more effectively shared with all stakeholders. We look forward to launching this new digital medium, which will reinforce the strength and longevity of the Biwater brand in a modern and engaging way.

The need for Biwater's capabilities is growing, where frontier countries today are looking to become the emerging markets of tomorrow, and eventually the developed nations of the future. Providing safe drinking water and environmentally conscious sanitation solutions is clearly part of these objectives. Well placed to help countries at any stage of their development, Biwater remains steadfast in its commitment to helping clients achieve their objectives by investing the funding necessary to design and build vital treated water and wastewater infrastructure.

Over the next year, I look forward to celebrating the achievements of the Group with staff here in the UK, and in each of the world's continents. We remain optimistic about the future and the successful conversion of the many developed opportunities we have across all our regions, which will secure the next 50 years.

I would like to record my thanks to all our employees for their continued enthusiasm, hard work and commitment.

Sir Adrian White, CBE

Chairman

Strategic report

The Directors present the Strategic report together with the audited consolidated financial statements for the year ended 30 June 2017.

Business Overview

The Group continues its activities based upon its core capabilities, providing world-class water and wastewater treatment solutions, 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.

Our contract in the Kurdistan Region of Iraq, to deliver a large 600,000 m^3/day water treatment plant in Erbil and wastewater treatment facilities in Sulaimani, nearing completion of its development phase with the finalisation of the design and the necessary economic and social impact assessment studies, in readiness for the construction of this landmark $1.2bn project. As part of addressing the urgent humanitarian water needs across the region, Biwater will also be carrying out emergency works to increase clean water provision in the region as quickly as possible.

Similarly, we are reaching the conclusion of the local and international regulatory requirements for our contract in Cameroon. This contract for the design, build, refurbishment and extension of water treatment, production, storage and distribution infrastructure, spanning 13 locations across the country, is another example of an ECA supported, fully-financed solution that the Biwater Group is able to offer. The 13 individual schemes, varying in size from 300 m^3/day to 30,000 m^3/day, with a contract value now of $201m, expected to be delivered over the coming three years.

Our operations in Hong Kong, supported by Biwater engineers from three other regions, also completed the final stages of the stage 2A Harbour Area Treatment Scheme, comprising the construction of a new pumping station and chemically enhanced sewage treatment as part of the Stonecutters Island sewage treatment works, increasing treatment capacity to 2.4 million m^3/day. With this remarkable treatment capacity, and the eight new pumps' ability to process 4 m^3/sec, the pumping station is one of the largest and technically impressive in the world. Serving over five million people, this wastewater treatment plant is the largest in Asia.

The Group continued its strategic investment in 2017 by strengthening many core functions as well as our digital transformation activities, focusing on improving efficiency, with quick and easy access to information, ensuring we connect our front office activities with the back office core functions and to remove any silos of information.

Outlook

Given Biwater's history and credentials of delivering projects in over 90 countries, we continue to be successful in territories where our innovation, operational delivery and commercial outcomes have positioned us strongly to compete profitably. We are also confident that the Group's ability to offer a complete financial, technical and commercial solution to our clients will ensure growing success in all markets around the world where investing in water and wastewater infrastructure, continues to be a primary focus.

The Group has work in hand of over £1 billion from signed contracts that will be delivered over the next four years, with a pipeline of developed opportunities in various stages of contract negotiations across territories such as Africa, the Middle East, Latin America and the Far East, which totals over £11 billion. These are regions where we have successfully completed a number of projects over our 50 year history and have an excellent reputation.

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, mainly in developing territories and emerging markets.

Our strategy worldwide is driven by an engineering and financial solutions philosophy with design capabilities based in the UK and internationally (Malaysia, Philippines, Hong Kong, France, USA and Turkey) and a strong desalination 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 cash, 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.

Key performance indicators

	2017	2016
	£m	£m
Revenue:	**60.2**	45.2
As the prime measure of our economic output, revenue growth is key to measuring shareholder return and the success of our expansion strategies		
Profit/(loss) before taxation:	**1.2**	(13.9)
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		
Profit/(loss) after taxation:	**1.4**	(4.5)
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		
Net assets before pension liability:	**31.9**	31.4
This provides a measure of the net increase in shareholder value achieved in the year		
Net cash at bank:	**16.1**	11.1
The movement on the net cash at bank balance provides an indication of our financial flexibility and strength		

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.

The significant risk areas within the business are:

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

The Group is subject to counterpart 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.

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 and a short-term six months trading loan in Hong Kong. The interest charge and risk on these facilities is not material.

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 2017, net of a deferred tax asset, was £17.6m. This deficit has reduced steadily for the last three years.

During the 12 month period aggregate employer cash contributions to the defined benefit sections of BRASS amounted to £4.7m (2016: £2.8m).

On behalf of the Board

P B Stevens

Director

6 November 2017

Directors' report

The Directors present their report together with the audited consolidated financial statements for the year ended 30 June 2017.

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 2017 was £60.2m, an increase of £15.0m (33%) over the previous year principally due to the increased activity in the Middle East from the development phase of the contract with the Kurdistan Regional Government.

As a result of the increased activity levels, the Group reports a net profit on ordinary activities after taxation of £1.4m compared to a net loss of £4.5m in the prior year.

The Directors do not recommend the payment of a dividend (2016: £nil).

The Group continues to be substantially debt free and had net cash at bank of £16.1m at 30 June 2017 (2016: £11.1m).

Net assets have increased by £1.9m to £14.3m and now stand at £31.9m, excluding the Group's pension liability (2016: £31.4m). Bond guarantee levels have been maintained at £13m.

Despite falling bond yields, the gross pension liability reduced by £1.7m in the year, due to increased 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 23 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 2017.

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 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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.

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 29th June. In accordance with Section 390A of the Companies Act 2006, the Directors have drawn up the Group and Company financial statements to the 30th 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

6 November 2017

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 2017 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 2017 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

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.

BDO LLP

Kevin Cook (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

Guildford, United Kingdom

6 November 2017

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 2017

	Note	**Year ended 30 June 2017**			Year ended 30 June 2016		
		Before exceptional items	**Exceptional items (note 6)**	**Total**	Before exceptional items	Exceptional items (note 6)	Total
		£m	£m	£m	£m	£m	£m
Revenue	4	**60.2**	**-**	**60.2**	45.2	-	45.2
Raw materials and consumables used		**(21.4)**	**-**	**(21.4)**	(15.6)	-	(15.6)
Sub-contractors		**(11.8)**	**-**	**(11.8)**	(20.2)	-	(20.2)
Employee benefit expenses	5	**(16.8)**	**-**	**(16.8)**	(15.7)	-	(15.7)
Depreciation expense		**(0.2)**	**-**	**(0.2)**	(0.2)	-	(0.2)
Other external charges		**(9.9)**	**-**	**(9.9)**	(12.9)	-	(12.9)
Impairment of a debtor		**-**	**-**	**-**	(1.4)		(1.4)
Release of doubtful debt provisions		**0.6**	**-**	**0.6**	1.7	-	1.7
Exchange differences		**2.2**	**(1.0)**	**1.2**	4.5	1.1	5.6
Profit/(loss) from operations	6	**2.9**	**(1.0)**	**1.9**	(14.6)	1.1	(13.5)
Finance expense	7	**(0.8)**	**-**	**(0.8)**	(1.0)	-	(1.0)
Finance income	7	**0.1**	**-**	**0.1**	0.3	-	0.3
Share of post-tax profits of equity accounted joint ventures		**-**	**-**	**-**	0.3	-	0.3
Profit/(loss) before tax		**2.2**	**(1.0)**	**1.2**	(15.0)	1.1	(13.9)
Tax credit on profit for the year	8	**0.2**	**-**	**0.2**	9.4	-	9.4
Profit/(loss) for the year		**2.4**	**(1.0)**	**1.4**	(5.6)	1.1	(4.5)

The notes on pages 18 to 43 form part of these financial statements.

Consolidated statement of total comprehensive income
for the year ended 30 June 2017

	Note	**Year ended 30 June 2017**			Year ended 30 June 2016		
		Before exceptional items	**Exceptional items (note 6)**	**Total**	Before exceptional items	Exceptional items (note 6)	Total
		£m	**£m**	**£m**	£m	£m	£m
Profit/(loss) for the year		**2.4**	**(1.0)**	**1.4**	(5.6)	1.1	(4.5)
Other comprehensive income/ (loss):							
Items that will not be reclassified to profit or loss:							
Defined benefit pension scheme re-measurements	21	**(1.3)**	**-**	**(1.3)**	(1.0)	-	(1.0)
Surplus on property revaluation	9	**1.3**	**-**	**1.3**	-	-	-
Tax relating to items that will not be reclassified	17	**(0.2)**	**-**	**(0.2)**	2.6	-	2.6
		(0.2)	**-**	**(0.2)**	1.6	-	1.6
Items that will or may be reclassified to profit or loss:							
Exchange gains arising on translation of foreign operations		**0.7**	**-**	**0.7**	1.2	-	1.2
Other comprehensive income for the year, net of tax		**0.5**	**-**	**0.5**	2.8	-	2.8
Total comprehensive income/ (loss)		**2.9**	**(1.0)**	**1.9**	(2.8)	1.1	(1.7)

The notes on pages 18 to 43 form part of these financial statements.

Consolidated statement of financial position
as at 30 June 2017

	Note	30 June 2017 £m	30 June 2016 £m
Assets			
Current assets			
Inventories	12	**0.5**	0.9
Trade and other receivables	13	**26.0**	52.5
Income tax receivable		**0.1**	0.1
Cash at bank and in hand	15	**16.8**	12.0
		43.4	65.5
Non-current assets			
Property, plant and equipment	9	**3.1**	0.5
Intangible assets	10	**1.3**	1.3
Other receivables	13	**0.5**	-
Deferred tax assets	17	**8.7**	7.7
		13.6	9.5
Total assets		**57.0**	75.0

The notes on pages 18 to 43 form part of these financial statements.

Consolidated statement of financial position
as at 30 June 2017 (continued)

	Note	**30 June 2017 £m**	30 June 2016 £m
Liabilities			
Current liabilities			
Trade and other payables	14	**22.1**	42.0
Borrowings	15	**2.2**	0.9
Income tax payable		**0.7**	0.6
Employee benefit liabilities	16	**0.1**	0.1
		25.1	43.6
Non-current liabilities			
Borrowings	15	**-**	-
Defined benefit pension liability	16	**17.6**	19.0
		17.6	19.0
Total liabilities		**42.7**	62.6
NET ASSETS		**14.3**	12.4
Issued capital and reserves attributable to owners of the parent			
Share capital	18	**30.0**	30.0
Revaluation reserve	19	**1.3**	-
Capital redemption reserve	19	**3.0**	3.0
Foreign exchange reserve	19	**4.0**	3.9
Retained loss	19	**(24.0)**	(24.5)
TOTAL EQUITY		**14.3**	12.4

The financial statements were approved and authorised for issue by the Board of Directors on 6 November 2017 and were signed on its behalf by:

P B Stevens

Director

The notes on pages 18 to 43 form part of these financial statements.

Consolidated statement of cash flows
for the year ended 30 June 2017

	Note	Year ended 30 June 2017	Year ended 30 June 2016
		£m	£m
Cash flows from operating activities			
Profit/(loss) for the year		**1.4**	(4.5)
Adjustments for:			
Depreciation of property, plant and equipment	9	**0.2**	0.2
(Release of debtor provisions)/impairment of debtors		**(0.6)**	1.4
Defined benefit pension scheme expenses	21	**1.0**	0.7
Finance expenses		**0.8**	1.0
Finance income		**(0.1)**	(0.3)
Share of post-tax profits of equity accounted joint ventures		**-**	(0.3)
Tax credit		**(0.2)**	(9.4)
		2.5	(11.2)
Decrease/(increase) in trade and other receivables		**26.0**	(23.9)
Decrease/(increase) in inventories		**0.4**	(0.3)
(Decrease)/increase in trade and other payables		**(19.9)**	17.9
Contributions to employee defined benefit schemes	21	**(4.7)**	(2.8)
Exchange differences		**0.3**	(3.8)
Cash inflow/(outflow) from operations		**4.6**	(24.1)
Income taxes paid		**(0.6)**	(0.1)
Net cash flows from operating activities		**4.0**	(24.2)
Investing activities			
Disposal of equity accounted joint venture	11	**-**	0.2
Purchases of property, plant and equipment	9	**(0.8)**	(0.4)
Interest received		**0.1**	0.2
Distribution from joint venture	11	**-**	1.2
Net cash (used in)/generated from investing activities		**(0.7)**	1.2
Financing activities			
Interest paid		**(0.1)**	(0.1)
Payments (to)/from restricted cash accounts		**(0.3)**	0.7
Net cash (used in)/generated from financing activities		**(0.4)**	0.6
Net increase/(decrease) in cash and cash equivalents		**2.9**	(22.4)
Cash and cash equivalents at beginning of year		**6.0**	24.3
Exchange gains on cash and cash equivalents		**0.1**	4.1
Cash and cash equivalents at end of year	24	**9.0**	6.0

The notes on pages 18 to 43 form part of these financial statements.

Consolidated statement of changes in equity
for the year ended 30 June 2017

	Share capital	Revaluation reserve	Capital redemption reserve	Foreign exchange reserve	Retained loss	Total equity
	£m	£m	£m	£m	£m	£m
1 July 2016	**30.0**	**-**	**3.0**	**3.9**	**(24.5)**	**12.4**
Comprehensive income for the year						
Profit	-	-	-	-	1.4	1.4
Other comprehensive income/(loss)	-	1.3	-	0.1	(0.9)	0.5
30 June 2017	**30.0**	**1.3**	**3.0**	**4.0**	**(24.0)**	**14.3**
1 July 2015	**30.0**	**-**	**3.0**	**4.5**	**(23.4)**	**14.1**
Comprehensive income for the year						
Loss	-	-	-	-	(4.5)	(4.5)
Other comprehensive income/(loss)	-	-	-	(0.6)	3.4	2.8
30 June 2016	**30.0**	**-**	**3.0**	**3.9**	**(24.5)**	**12.4**

The notes on pages 18 to 43 form part of these financial statements.

Notes forming part of the consolidated financial statements
for the year ended 30 June 2017

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 2017, with comparative figures relating to the year to 30 June 2016 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 2016

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 July 2016 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.

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:

The effects of IFRS 9 ***Financial Instruments*** and IFRS 15 ***Revenue from Contracts with Customers***, both of which have been endorsed by the EU with an effective date of 1 January 2018, are still being assessed, as these new standards may have a significant effect on the Group's future financial statements. The impact of IFRS 16 ***Leases*** on the Group's future financial statements is not expected to be significant.

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.

Basis of consolidation (continued)

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, 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 meet their 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.

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 reasonably 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 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.

Joint ventures

The Group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries. Joint ventures are initially recognised in the consolidated statement of financial position at cost. Subsequently, joint ventures are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of profit and loss and other comprehensive income (except for losses in excess of the Group's investment in the joint venture unless there is an obligation to make good those losses).

Profits and losses arising on transactions between the Group and its joint ventures are recognised only to the extent of unrelated investors' interests in the joint venture. The investor's share in the joint venture's profits and losses resulting from these transactions is eliminated against the carrying value of the joint venture.

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in the joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

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 "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

Finance lease liabilities.

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

Bank overdrafts and finance lease liabilities 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 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.

Deferred taxation (continued)

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.

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.

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.

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

	2017 £m	2016 £m
Cash and bank balances	**16.8**	12.0
Trade and other receivables	**26.5**	52.5
Total financial assets	**43.3**	64.5

Financial liabilities	2017 £m	2016 £m
Trade and other payables	**21.6**	41.5
Bank overdrafts and short term trading loans	**2.2**	0.9
Total financial liabilities – at amortised cost	**23.8**	42.4

(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.

(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.

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

	Functional currency of individual entity									
	Sterling		US Dollar		Euro		Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Net financial assets/ (liabilities)										
Sterling	**(0.2)**	(12.7)	**-**	-	**-**	-	**-**	-	**(0.2)**	(12.7)
US Dollar	**17.9**	35.1	**1.3**	1.2	**(0.1)**	(0.1)	**(0.4)**	-	**18.7**	36.2
Euro	**2.7**	(0.1)	**-**	-	**(0.9)**	-	**1.0**	0.1	**2.8**	-
Other	**0.2**	0.1	**-**	-	**-**	-	**(2.0)**	(1.5)	**(1.8)**	(1.4)
Total net exposure	**20.6**	22.4	**1.3**	1.2	**(1.0)**	(0.1)	**(1.4)**	(1.4)	**19.5**	22.1

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 £0.9m (2016: £1.8m). A 5% weakening in the exchange rate would, on the same basis, have decreased profit and decreased net assets by £0.9m (2016: £1.7m).

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.

4. Revenue

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

	Year ended June 2017 £m	Year ended June 2016 £m
Europe & North Africa	**4.7**	4.3
Far East	**29.1**	24.9
Middle East	**17.5**	7.8
Africa	**4.5**	1.0
Americas	**4.4**	7.2
	60.2	45.2

Of the Group's recognised revenue of £60.2m, £50.3m (2016: £39.7m) relates to contracting activities and £9.9m (2016: £5.5m) is in respect of the provision of ancillary services.

5. Employee benefit expenses

	Year ended June 2017 £m	Year ended June 2016 £m
Employee benefit expenses (including Directors of the Group) comprise:		
Wages and salaries	**14.8**	13.9
Contributions to defined contribution pension scheme	**0.2**	0.3
Defined benefit pension scheme administrative costs	**1.0**	0.7
Social security contributions and similar taxes	**0.8**	0.8
	16.8	15.7

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

	Year ended June 2017 Number	Year ended June 2016 Number
United Kingdom	**63**	52
Africa	**114**	137
Far East	**103**	141
Middle East	**2**	1
Mainland Europe	**15**	18
Americas	**87**	82
	384	431

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

	Year ended June 2017 £000	Year ended June 2016 £000
Salaries	**1,449**	1,105
Other long-term benefits	**9**	6
Defined contribution pension scheme costs	**60**	38
	1,518	1,149

The highest paid director received aggregate emoluments of £637,000 (2016: £703,000). The highest paid director did not receive any benefits relating to pension schemes (2016: £nil).

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

	Year ended June 2017	Year ended June 2016
	£000	£000
Salaries	**2,812**	2,582
Other long-term benefits	**36**	33
Defined contribution pension scheme costs	**99**	79
	2,947	2,694

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/(loss) from operations and exceptional items

Profit/(loss) from operations includes:	**Year ended June 2017**	Year ended June 2016
	£m	£m
Fees payable to the Company's auditor for the audit of the parent company and consolidated financial statements	**0.1**	0.1
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	**0.2**	0.2
Pre-award costs expensed	**0.3**	0.6
Operating leases – property leases	**0.9**	0.9
Impairment of a debtor	**-**	1.4
Release of doubtful debt provisions	**(0.6)**	(1.7)

During the year, doubtful debt provisions made in previous years amounting to £0.6m (2016: £1.7m) were released. These related to amounts due on Panamanian contracts which are now expected to be collected in full following the signing and ratification of addendum agreements.

An impairment of a debtor of £1.4m was recorded in the prior year. This related to a negotiated settlement reached in November 2016 with the purchasers of Biwater (BVI) Holdings Limited whereby the deferred consideration due to the Group over the next 15 years in respect of such sale was settled in full at a discounted amount. This cash was received in December 2016 but the resulting loss was taken to the consolidated statement of profit and loss in the prior year.

Profit/(loss) from operations (before exceptional items) includes exchange gains of £2.2m in respect of the retranslation of contract debtors and creditors at the period end from overseas contracts undertaken in non-functional currencies (2016: £4.5m gain).

Exceptional items in the year comprise £1.0m exchange losses made in respect of the revaluation of individual entities' intercompany balances at the year-end (2016: £1.1m gains).

7. Finance income and expense

Recognised in profit or loss

	Year ended June 2017	Year ended June 2016
Finance income	**£m**	£m
Interest received on bank deposits	**0.1**	0.2
Finance income on other financial assets	**-**	0.1
Total finance income	**0.1**	0.3
Finance expense		
Interest on the net defined benefit liability	**(0.7)**	(0.9)
Interest on bank overdrafts	**(0.1)**	(0.1)
Total finance expense	**(0.8)**	(1.0)
Net finance expense recognised in profit or loss	**(0.7)**	(0.7)

8. Tax credit

	Year ended June 2017 £m	Year ended June 2016 £m
Current tax (expense)/credit		
Overseas tax on profits for the year	**(0.6)**	-
Adjustment for under provision in prior years	**(0.1)**	0.1
Total current tax (expense)/credit	**(0.7)**	0.1
Deferred tax credit		
Origination and reversal of temporary differences (note 17)	**0.9**	-
Recognition of previously unrecognised deferred tax assets (note 17)	**-**	9.3
Total deferred tax credit	**0.9**	9.3
Total tax credit for the year	**0.2**	9.4

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:

	Year ended June 2017	Year ended June 2016
	£m	£m
Profit/(loss) for the year	**1.4**	(4.5)
Income tax credit (including deferred taxation)	**(0.2)**	(9.4)
Profit/(loss) before income taxes	**1.2**	(13.9)
Tax (charge)/credit using the UK tax rate of 19% (2016: 20%)	**(0.2)**	2.8
Effects of:		
Expenses not deductible for tax purposes	**0.4**	1.2
Capital allowances less than/(in excess of) depreciation	**0.4**	(0.4)
Utilisation of tax losses	**0.2**	0.9
Unutilised tax losses	**(1.1)**	(4.6)
Recognition of deferred tax assets	**0.9**	9.3
Different tax rates applied in overseas jurisdictions	**-**	0.1
Adjustments in respect of prior periods	**(0.1)**	0.1
Other items	**(0.3)**	-
Total tax credit	**0.2**	9.4

9. Property, plant and equipment

	Freehold land and buildings	Plant and equipment	Fixtures and fittings	Assets under construction	Total
	£m	£m	£m	£m	£m
Cost or valuation					
At 1 July 2015	**0.7**	**1.7**	**3.5**	**-**	**5.9**
Additions	-	0.2	0.2	-	0.4
Foreign exchange movements	-	-	0.1	-	0.1
At 30 June 2016	**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	-	-
At 30 June 2017	**2.0**	**1.9**	**3.7**	**1.2**	**8.8**
Accumulated depreciation					
At 1 July 2015	**0.4**	**1.7**	**3.3**	**-**	**5.4**
Depreciation	-	0.1	0.1	-	0.2
Foreign exchange movements	0.2	-	0.1	-	0.3
At 30 June 2016	**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)
At 30 June 2017	**0.6**	**1.7**	**3.4**	**-**	**5.7**
Net book value					
At 30 June 2017	**1.4**	**0.2**	**0.3**	**1.2**	**3.1**
At 30 June 2016	**0.1**	**0.1**	**0.3**	**-**	**0.5**

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 has been credited to other comprehensive income in the year and shown in a separate revaluation reserve.

Freehold land with an historic cost of £0.1m (2016: £0.1m) has not been depreciated.

The net book value of assets under construction of £1.2m (2016: £nil) relates to the development of the Group's new integrated IT system which is expected to be fully operational within the next financial year.

10. Intangible assets - goodwill

Cost	£m
At 30 June 2016 and 30 June 2017	**2.3**
Accumulated amortisation and impairment	
At 30 June 2016 and 30 June 2017	**1.0**
Net book value	
At 30 June 2017	**1.3**
At 30 June 2016	1.3

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 2022.

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 (2016: £nil).

11. Subsidiaries and joint ventures

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.

Joint ventures

Up until 26 April 2016, the Group had a 49.97% interest in a joint venture, REI Biwater Consortium Malaysia ('RBC'), a separate structured vehicle incorporated and operating in Malaysia. The primary activity of RBC was as a water treatment contractor. This joint arrangement was classified as a joint venture and was included in the consolidated financial statements using the equity method. The Group's entire investment in RBC was disposed of on 26 April 2016 and the disposal was accounted for in the prior year.

The prior year movement in the investment in joint ventures up to the date of disposal was as follows:

	2016
	£m
Share of net assets at 1 July 2015	1.1
Share of distributions to shareholders	(1.2)
Share of post-tax profits	0.3
Disposal	(0.2)
Exchange movement	-
Share of net assets at 30 June 2016	**-**

Details of the assets and liabilities disposed of and the gain arising on disposal are as follows:

	£m
Trade and other receivables	0.7
Cash balances	0.1
Trade and other payables	(0.3)
Total net assets	0.5
Group share of net assets (49.97%)	0.2
Cash consideration	0.2
Gain on disposal	-

12. Inventories

	2017	2016
	£m	£m
Raw materials and consumables	**0.5**	0.9

13. Trade and other receivables

	2017	2016
	£m	£m
Trade receivables	**18.3**	44.2
Less: provision for impairment of trade receivables	**(5.3)**	(6.8)
Trade receivables - net	**13.0**	37.4
Amounts recoverable on contracts	**8.7**	8.0
Deferred consideration receivable	**-**	1.1
Prepayments	**0.7**	0.8
Other receivables	**4.1**	5.2
Total financial assets other than cash and cash equivalents classified as receivables	**26.5**	52.5
Less: non-current portion – other receivables	**(0.5)**	-
Current portion	**26.0**	52.5

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

As at 30 June 2016 trade receivables included £22.4m due from the Kurdistan Regional Government ('KRG'). This was recovered in full during the current year.

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

	2017	2016
	£m	£m
Up to 3 months	**8.7**	12.2
3 to 6 months	**0.3**	9.9
Over 6 months	**9.3**	22.1
	18.3	44.2

Receivables over 6 months old of £9.3m (2016: £15.6m, excluding £6.5m due from KRG) had provisions of £5.3m (2016: £6.8m) 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.

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

	2017	2016
	£m	£m
At 1 July	**(6.8)**	(8.2)
Released during the year	**0.6**	1.8
Utilised during the year	**0.8**	-
Increase in the year	**-**	(0.1)
Effect of movements in foreign currency exchange rates	**0.1**	(0.3)
At 30 June	**(5.3)**	(6.8)

14. Trade and other payables

	2017	2016
	£m	£m
Trade payables	**6.6**	10.3
Payments on account	**9.8**	25.1
Other payables	**2.7**	2.2
Accruals	**2.5**	3.9
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	**21.6**	41.5
Tax and social security payments	**0.5**	0.5
Total trade and other payables	**22.1**	42.0

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

15. Cash and borrowings

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

	2017 £m	2016 £m
Held in escrow to support bonding facilities	**4.2**	4.1
Held on deposit as collateral for bank facilities	**1.4**	1.0
Total cash held as collateral and restricted funds	**5.6**	5.1
Unrestricted bank and cash balances	**11.2**	6.9
Total cash and cash equivalents	**16.8**	12.0

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:

Current	2017 £m	2016 £m
Overdrafts	**0.7**	0.9
Short term trading loan	**1.5**	-
Total borrowings	**2.2**	0.9

The Group's overdrafts and short term trading loan are repayable on demand.

16. Employee benefit liabilities

Liabilities for employee benefits comprise:

	2017 £m	2016 £m
Defined benefit scheme (note 21)	**17.6**	19.0
Defined contribution scheme	**0.1**	0.1
	17.7	19.1
Categorised as:		
Current - accruals	**0.1**	0.1
Non-current	**17.6**	19.0
	17.7	19.1

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:

	2017 £m	2016 £m
Deferred tax asset at start of year	**12.0**	0.1
Recognised in profit and loss:		
Tax credit	**0.9**	9.3
Recognised in other comprehensive income:		
Tax relating to defined benefit pension scheme re-measurement	**(0.2)**	2.6
Deferred tax asset at end of year	**12.7**	12.0

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

	2017 £m	2016 £m
Recognised in non-current assets	**8.7**	7.7
Deducted from gross pension deficit provision (note 21)	**4.0**	4.3
Deferred tax asset at 30 June	**12.7**	12.0

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 2017		30 June 2016	
	Recognised £m	Unrecognised £m	Recognised £m	Unrecognised £m
Employee benefit pension deficit	**4.0**	**-**	4.3	-
Accelerated capital allowances	**0.7**	**0.1**	0.9	0.1
Other temporary and deductible differences	**0.1**	**8.5**	0.1	8.9
Available losses	**7.9**	**14.2**	6.7	14.3
	12.7	**22.8**	12.0	23.3

A deferred tax asset increase of £0.7m (2016: £11.9m) was recognised in the year, of which £0.9m (2016: £9.3m) was recognised in the consolidated statement of profit or loss and £(0.2)m (2016: £2.6m) was 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			
	2017	**2017**	2016	2016
	Number	**£m**	Number	£m
Ordinary shares of 25p each	**120,000,000**	**30.0**	120,000,000	30.0

19. Reserves

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

Reserves	**Description and purpose**
Revaluation reserve	Gains/losses arising on the revaluation of the Group's freehold land and buildings.
Capital redemption reserve	Amounts transferred from share capital on redemption of issued shares.
Foreign exchange reserve	Gains/losses arising on retranslating the net assets of overseas operations into Sterling.
Retained loss	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 (net carrying value £nil, 2016: £nil).

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:

	2017	2016
	£m	£m
Not later than one year	**0.7**	0.7
Later than one year and not later than five years	**2.2**	2.3
Later than five years	**0.1**	0.1
	3.0	3.1

Operating leases - lessor

Sub-lease rental income receivable for the year to 30 June 2017 was £0.3m (year ended 30 June 2016: £0.1m).

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

	2017	2016
	£m	£m
Not later than one year	**0.2**	0.2
Later than one year but not later than five years	**0.5**	0.7
Later than five years	**-**	-
	0.7	0.9

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 (2016: £0.3m).

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 funded defined benefit scheme which offers both pensions in retirement and death benefits to members. 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 2017 are expected to be £2.8m.

A full actuarial valuation of the scheme was carried out as at 31 March 2016 and has been updated to 30 June 2017 (and was updated to 30 June 2016) 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:

	2017	2016
Discount rate	**2.60%**	3.10%
Inflation assumption (RPI)	**3.10%**	2.75%
Rate of increase in salaries	**2.85%**	2.25%
RPI(3,5) pension increases	**3.45%**	3.30%

Assumed life expectancies on retirement at age 65 are:		
Retiring today - Males	**21.8**	21.9
Retiring today - Females	**23.9**	24.2
Retiring in 20 years time - Males	**22.9**	23.2
Retiring in 20 years time – Females	**25.2**	25.7

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 22.9 years.

The assets in the scheme are analysed as follows:

	2017 £m	2016 £m
Property	**5.8**	5.4
Corporate Bonds	**7.4**	9.7
Government Bonds	**3.9**	3.4
Cash	**0.4**	0.7
LDI	**10.7**	10.3
Diversified Growth Funds	**16.5**	12.1
Equity Linked Bond Funds	**30.0**	25.1
Fair value of scheme assets at the year end	**74.7**	66.7
The actual return on assets over the year was:	**7.9**	8.9
Present value of funded obligations	**(96.3)**	(90.0)
Fair value of scheme assets	**74.7**	66.7
Deficit in funded scheme	**(21.6)**	(23.3)
Related deferred tax asset recognised	**4.0**	4.3
Net liability in statement of financial position	**(17.6)**	(19.0)

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

No property scheme assets are occupied by the Group.

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

	2017 £m	2016 £m
Benefit obligation at beginning of year	**90.0**	82.6
Interest cost	**2.7**	3.1
Net re-measurement losses – financial	**7.3**	8.7
Net re-measurement gains – demographic	**(1.9)**	(1.0)
Net re-measurement losses - experience	**1.8**	-
Benefits paid	**(3.6)**	(3.4)
Benefit obligation at end of year	**96.3**	90.0

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

	2017 £m	2016 £m
Fair value of scheme assets at beginning of year	**66.7**	59.1
Interest income on scheme assets	**2.0**	2.2
Return on assets, excluding interest income	**5.9**	6.7
Contributions by employers	**4.7**	2.8
Benefits paid	**(3.6)**	(3.4)
Scheme administrative costs	**(1.0)**	(0.7)
Fair value of scheme assets at end of year	**74.7**	66.7

Amounts recognised in profit or loss:	2017 £m	2016 £m
Service cost – employee benefit expenses	**1.0**	0.7
Net interest on the net defined benefit liability	**0.7**	0.9
Total expense	**1.7**	1.6

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

	2017 £m	2016 £m
Net re-measurement – financial	**7.3**	8.7
Net re-measurement – demographic	**(1.9)**	(1.0)
Net re-measurement – experience	**1.8**	-
Return on assets, excluding interest income	**(5.9)**	(6.7)
Total re-measurement of the net defined benefit liability - charge	**1.3**	1.0

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 £20,000 (year to 30 June 2016: £54,000) and he received a short term loan from the Company of £309,000 (2016: £nil). At 30 June 2017 there was an outstanding balance payable to the Company of £329,000 (2016: £54,000).

Details of transactions with joint ventures are disclosed in note 11.

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 £13.2m (2016: £13.2m). Of this figure £4.2m (2016: £4.1m) 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:

	2017	2016
	£m	£m
Unrestricted bank and cash balances (note 15)	**11.2**	6.9
Overdrafts and short term trading loan (note 15)	**(2.2)**	(0.9)
Cash and cash equivalents	**9.0**	6.0

25. Controlling interests

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

26. Subsidiary undertakings

A full list of subsidiary undertakings at 30 June 2017 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 Algerie 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 Man Lee Limited *	Suite 202, 2/F Block 1, Hofai Commercial Centre, 218 Sai Lau Kok Road, Tsuen Wan, New Territories, Hong Kong
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, 18th 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, The Netherlands
Biwater Contracting BV	Herikerbergweg 178, 1101 CM Amsterdam, The 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 Warzawa, Poland

Biwater Infrastructure Investment Holding Company WLL – 95%	Mun#141, 14th Floor, Al Jasrah Tower, Building no 95, Road 1702, Area 317, Diplomatic Area, Manama, Bahrain
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	San Carlos 79, Colonia San Angel, DF, CP01000, Mexico
CBV	Finconsult, Edificio Oficina, Piso 4, Officina 43, Calle Los Laboratotios, Los Ruices, Caracas, Venezuela
CVBA	Finconsult, Edificio Oficina, Piso 4, Officina 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 Limited *	Biwater House
Farmstyles Limited *	Biwater House
Farrer Sewage Limited *	Biwater House
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%	1st Floor, Dharumavantha Magu Male 20-04, Republic of Maldives
Al Maha Water Services LLC – 30%	Al Firdous Tower Building, Salam Street, Abu Dhabi, UAE
Biwater International WLL – 49%	PO Box 22979, Doha, Qatar

Parent company financial statements

	Note	**30 June 2017 £m**	30 June 2016 £m
Fixed assets			
Tangible fixed assets	4	**1.2**	-
Investments	5	**106.8**	101.1
		108.0	101.1
Current assets			
Debtors: falling due within one year	6	**1.0**	1.5
Debtors: falling due after more than one year	7	**25.7**	32.1
Total debtors		**26.7**	33.6
Cash at bank and in hand	8	**1.1**	1.3
		27.8	34.9
Creditors: falling due within one year	9	**(1.0)**	(1.1)
Net current assets		**26.8**	33.8
Total assets less current liabilities		**134.8**	134.9
Creditors: falling due after more than one year	10	**(113.7)**	(105.4)
Pension liability provision, net of tax	12	**(5.5)**	(6.1)
Net assets		**15.6**	23.4
Capital and reserves			
Called up share capital		**30.0**	30.0
Capital redemption reserve		**3.0**	3.0
Profit and loss account		**(17.4)**	(9.6)
Equity shareholders' funds		**15.6**	23.4

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 £7.4m (year ended 30 June 2016: profit of £13.9m).

Approved by the board of directors on 6 November 2017 and signed on its behalf by

P B Stevens
Director

Company statement of changes in equity

	Share capital	Capital redemption reserve	Profit and loss	Total equity
	£m	£m	£m	£m
At 1 July 2015	30.0	3.0	(24.6)	8.4
Comprehensive income for the year				
Profit for the year	-	-	13.9	13.9
Other comprehensive income	-	-	1.1	1.1
At 30 June 2016	**30.0**	**3.0**	**(9.6)**	**23.4**
Comprehensive income for the year				
Loss for the year	-	-	**(7.4)**	**(7.4)**
Other comprehensive income/(loss)	-	-	**(0.4)**	**(0.4)**
At 30 June 2017	**30.0**	**3.0**	**(17.4)**	**15.6**

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.

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

	Year ended June 2017	Year ended June 2016
	£m	£m
Employee benefit expenses (including Directors of the Company) comprise:		
Wages and salaries	**1.0**	1.0
Contributions to defined contribution pension scheme	**-**	-
Contributions to defined benefit pension scheme	**0.2**	0.2
Social security contributions	**0.1**	0.1
	1.3	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 (2016: 4, all based in the UK).

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

	Year ended June 2017 £000	Year ended June 2016 £000
Salaries	1,449	1,105
Other long-term benefits	9	6
Defined contribution pension scheme costs	60	38
	1,518	1,149

The highest paid director received aggregate emoluments of £637,000 (2016: £703,000). The highest paid director did not receive any benefits relating to pension schemes (2016: £nil).

4. Tangible fixed assets

	Fixtures and fittings £m	Assets under construction £m	Total £m
Cost or valuation			
At 1 July 2015 and 30 June 2016	2.2	-	2.2
Transfer from current assets	-	0.6	0.6
Additions	-	0.6	0.6
At 30 June 2017	2.2	1.2	3.4
Accumulated depreciation			
At 1 July 2015, 30 June 2016 and 30 June 2017	2.2	-	2.2
Net book value			
At 30 June 2017	-	1.2	1.2
At 30 June 2016	-	-	-

The Company has fixtures and fittings with an original cost of £2.2m which are fully depreciated. These are improvements to the Company's leasehold premises. The net book value of assets under construction of £1.2m (2016: £nil) 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

	2017	2016
	£m	£m
Cost and net book value:		
At 1 July	**101.1**	88.9
Additions	**5.7**	-
Impairment provisions made in the year	**(7.8)**	-
Reversal of existing provision	**7.8**	12.2
As at 30 June	**106.8**	101.1

On 5 September 2016, the Company subscribed for £5.7m of shares in Biwater Man Lee Limited ('Man Lee') for a consideration of £5.7m, paid by way of the capitalisation of amounts due to the Company from Man Lee. On the same date, the Company also acquired the remaining share capital of Man Lee from its subsidiary Biwater BV, to thereby become the immediate parent company of Man Lee.

The Directors have carried out an impairment review of the carrying value of the investments at 30 June 2017. This resulted in additional provisions of £7.8m to write down the carrying value of certain subsidiaries to their expected realisable values. It also resulted in the release of £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 31 December**	
		2017	2016
Biwater International Limited	United Kingdom	**100%**	100%
Biwater Man Lee Limited	Hong Kong	**100%**	-%
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

	2017	2016
	£m	£m
Prepayments and accrued income	**0.8**	1.0
Corporation tax recoverable	**0.2**	0.5
	1.0	1.5

7. Debtors: falling due after more than one year

	2017	2016
	£m	£m
Amounts due from subsidiary undertakings	**20.7**	28.5
Deferred tax (note 11)	**5.0**	3.6
	25.7	32.1

8. Cash at bank and in hand

	2017	2016
	£m	£m
Cash held as collateral	**0.7**	0.7
Unrestricted cash balances	**0.4**	0.6
	1.1	1.3

Cash is held as collateral with HSBC Bank plc for bonding provided in the normal course of business and in support of banking facilities provided to a subsidiary undertaking in France.

9. Creditors: falling due within one year

	2017	2016
	£m	£m
Trade creditors	**0.4**	0.3
Taxation and social security	**0.2**	0.1
Accruals and deferred income	**0.4**	0.7
	1.0	1.1

10. Creditors: falling due after more than one year

These represent amounts due to subsidiary undertakings.

11. 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 2017		30 June 2016	
	Recognised	**Unrecognised**	Recognised	Unrecognised
	£m	**£m**	£m	£m
Accelerated capital allowances	**0.3**	**-**	0.3	-
Other temporary differences	**-**	**6.0**	-	6.3
Available losses	**4.7**	**5.2**	3.3	6.1
	5.0	**11.2**	3.6	12.4
Employee benefit pension deficit	**1.3**	**-**	1.4	-
	6.3	**11.2**	5.0	12.4

12. Pension liability provision

	2017	2016
	£m	£m
Deficit in scheme	**6.8**	7.5
Related deferred tax asset (note 11)	**(1.3)**	(1.4)
	5.5	6.1

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

13. 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:

	2016	2015
	£m	£m
Not later than one year	**0.6**	0.6
Later than one year and not later than five years	**1.7**	2.2
Later than five years	**-**	0.1
	2.3	2.9

14. 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 £5.9m (2016: £32.6m).

Contact us:
Biwater House, Station Approach, Dorking, Surrey, RH4 1TZ, UK
Tel: + 44 1306 740740 | Email: contact@biwater.com