

Reno (Moray) Limited
Annual Report and Financial Statements
31 December 2015



Reno (Moray) Limited

Annual Report and Financial Statements

Year Ended 31 December 2015

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Reno (Moray) Limited

Officers and Professional Advisers

The Board of Directors

David Gilmour
Nigel Paterson

Company Secretary

Infrastructure Managers Limited

Registered Office

Cannon Place
78, Cannon Street
London
United Kingdom
EC4N 6AF

Auditor

PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
Level 4
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Reno (Moray) Limited

Directors' Report

Year Ended 31 December 2015

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

Principal Activities

The principal activity of the Company during the year was that of an investment holding company

Performance Review

The entity transition from previous UK GAAP to FRS 102 as at 1 January 2014. The accounts for both years are presented under FRS 102, the adjustments to the prior year reported financial position and financial performance are given in note 11

No statement of comprehensive income has been presented for the Company as there were no transactions to report during the year

The directors are satisfied with the overall performance of the Company and do not foresee any significant change in the Company's activities in the coming financial year

Directors

The directors who served the company during the year and up to the date of this report were as follows

David Gilmour	
Nigel Paterson	(Appointed 5 May 2015)
Malcolm Saunders	(Resigned 5 May 2015)

Dividends

The directors do not recommend the payment of a dividend

Small company provisions

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption

This report was approved by the board of directors on 23 June 2016 and signed on behalf of the board by



Infrastructure Managers Limited
Company Secretary

Reno (Moray) Limited

Directors' Responsibilities Statement

Year Ended 31 December 2015

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements,
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

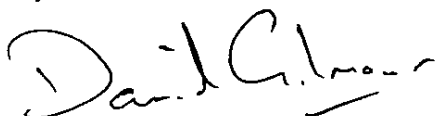
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies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

In so far as the directors are aware

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

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

The Directors' Responsibilities were approved by the board on 22 June 2016 and signed on its behalf by



David Gilmour

Director

Reno (Moray) Limited

Independent Auditors' Report to the Members of Reno (Moray) Limited

Year Ended 31 December 2015

Our opinion

In our opinion, Reno (Moray) Limited's financial statements (the "financial statements")

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

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise

- the Statement of Financial Position as at 31 December 2015,
- the Statement of Changes in Equity for the year then ended, and
- the Notes to the Financial Statements, which include a summary of significant accounting policies and other explanatory information

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"

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

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit, or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns

We have no exceptions to report arising from this responsibility.

Reno (Moray) Limited

Independent Auditors' Report to the Members of Reno (Moray) Limited *(continued)*

Year Ended 31 December 2015

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to prepare financial statements in accordance with the small companies regime, and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Respective responsibilities of directors and auditor

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by the directors, and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

Reno (Moray) Limited

Independent Auditors' Report to the Members of Reno (Moray) Limited *(continued)*

Year Ended 31 December 2015

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Caroline Roxburgh (Senior Statutory Auditor)

For and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
Edinburgh

~~28~~ June 2016

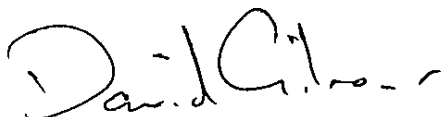
Reno (Moray) Limited

Statement of Financial Position

As at 31 December 2015

	Note	2015 £	2014 £
Fixed assets			
Investments	6	—	—
Capital and reserves			
Called up share capital	7	2	2
Share premium account	8	2,579,999	2,579,999
Retained earnings	8	(2,580,001)	(2,580,001)
Shareholders' funds		—	—

These financial statements were approved by the board of directors and authorised for issue on 28 June 2016, and are signed on behalf of the board by



David Gilmour
Director

Company registration number 04141423

The notes on pages 9 to 13 form part of these financial statements.

Reno (Moray) Limited

Statement of Changes in Equity

Year Ended 31 December 2015

	Called up share capital £	Share premium account £	Retained earnings £	Total £
At 1 January 2014	2	2,579,999	(2,580,001)	—
Profit for the year			—	—
Profit for the year			—	—
At 31 December 2015	<u>2</u>	<u>2,579,999</u>	<u>(2,580,001)</u>	<u>—</u>

The notes on pages 9 to 13 form part of these financial statements.

Reno (Moray) Limited

Notes to the Financial Statements

Year Ended 31 December 2015

1 Statement of compliance

The individual financial statements of Reno (Moray) Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006

2. General information

Reno (Moray) Limited ('the company') is incorporated and domiciled in the UK. The address of its registered office is Cannon Place, 78, Cannon Street, London, EC4N 6AF.

The principal activity of the Company during the year was that of an investment holding company.

The company's functional and presentation currency is the pound sterling.

3. Accounting policies

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed further in the accounting policies.

The accounting policies stated below have been consistently applied to the years presented, unless otherwise stated.

Reno (Moray) Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2015

3. Accounting policies *(continued)*

Going concern

The company borrowed funds from its parent undertakings (£1 58m as at 31 December 2015) which were later passed through to the associate company under matching terms, see note 6. The company is therefore reliant on receipts from the associate entity (Catchment Moray Holdings), which in turn is reliant on receipts from its subsidiary entity (Catchment Moray Limited), in respect of repayments on subordinated loans, in order to meet its ongoing financial commitments. However, the subsidiary is currently unable to make repayments of the subordinated loans for the reasons set out below which has resulted in both the company and the associate being in breach of the terms of their respective loans. The joint venture parent undertakings have confirmed that repayment will not be demanded for the entire subordinated loan within the next 12 months.

Expected cash flows from the subsidiary entity's concession agreement with Scottish Water include a variable element based on chargeable flows of wastewater collected and treated which has declined as a result of unusually dry weather conditions experienced over the past years. This situation has led to a breach of the covenants in the subsidiary's bank loan (£42.2m as at 31 December 2015), entitling the banking syndicate to demand repayment of all amounts outstanding on the loan should they choose to.

Whilst the subsidiary company has continued to pay all interest and principal to its banking syndicate as payments have fallen due, and the banking syndicate has not suggested that it will demand repayment of the loans, the possibility remains that they may exercise their legal right to demand repayment. So long as the covenant breaches remain and have not been waived formally by the banking syndicate, the subsidiary entity will face difficulty servicing the company's loan and this would undermine the company's ability to meet its own ongoing financial commitments. The subsidiary company continues to provide regular updates to the banking syndicate on trading and contractual issues with a view to ensuring ongoing support.

Based on the cash balance of £4m held by the subsidiary at year end and the forecast concession cash flows of the subsidiary company which were pledged as collateral to secure the bank loan, the directors do not expect the banking syndicate to recall the loan and consequently forecast that the subsidiary company will continue in operational existence for the foreseeable future, including the ability to continue meeting loan interest and principal repayments in line with the original banking agreements.

Further to this, the investment has been written down to nil and the company has no liabilities to pay in the period 12 months from the date of the financial statements; therefore, the directors are of the view that the going concern basis of preparation for the company's accounts remains appropriate.

Transition to FRS 102

The entity transitioned from previous UK GAAP to FRS 102 as at 1 January 2014. Details of how FRS 102 has affected the reported financial position and financial performance is given in note 11.

Reno (Moray) Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2015

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty are as follows:

i) Impairment of assets

The carrying value of those assets recorded in the Company's balance sheet, at amortised cost, could be materially reduced where circumstances exist which might indicate that an asset has been impaired and an impairment review is performed. Impairment reviews consider the fair value and or value in use of the potentially impaired asset or assets and compares that with the carrying value of the asset or assets in the balance sheet. Any reduction in value arising from such a review would be recorded in the statement of comprehensive income. Impairment reviews involve the significant use of assumptions. Consideration has to be given as to the price that could be obtained for the asset or assets, or in relation to a consideration of value in use, estimates of the future cash flows that could be generated by the potentially impaired asset or assets, together with a consideration of an appropriate discount rate to apply to those cash flows.

Income tax

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

i) Current Tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Investments

Fixed asset investments are initially recorded at cost and subsequently stated at cost less any accumulated impairment losses.

4. Auditor's remuneration

The audit fee of £2,912 (2014: £2,652) was borne by BIIF LP.

Reno (Moray) Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2015

5. Particulars of employees and directors

The average number of persons employed by the company during the financial year, including the directors, amounted to nil (2014 nil) The directors did not receive any remuneration from the Company during the year (2014 £nil)

6. Investments

	Shares in group undertakings £	Loans to group undertakings £	Total £
Cost			
At 1 Jan 2015 and 31 Dec 2015	<u>1,000,000</u>	<u>1,580,000</u>	<u>2,580,000</u>
Impairment			
At 1 Jan 2015 and 31 Dec 2015	<u>1,000,000</u>	<u>1,580,000</u>	<u>2,580,000</u>
Carrying amount			
At 31 December 2015	<u>—</u>	<u>—</u>	<u>—</u>

Subsidiaries, associates and other investments

The company owns a 33.3% interest in Catchment Moray Holdings Limited, a Company incorporated in Scotland. Catchment Moray Holdings Limited is a holding company to Catchment Moray Limited. The principal activity of the subsidiary company is the provision of wastewater and sewage treatment related services.

The directors previously impaired the investment in Catchment Moray Holdings Limited to its recoverable amount of £nil.

7. Called up share capital

Issued, called up and fully paid

	2015		2014	
	No	£	No	£
Ordinary shares of £0.002 each	<u>1,000</u>	<u>2</u>	<u>1,000</u>	<u>2</u>

8. Reserves

Retained earnings - This reserve records retained earnings and accumulated losses

9. Related party transactions

There were no transactions to report in the year

Reno (Moray) Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2015

10. Controlling party

Reno (Moray) Limited is owned 45% by Veolia Water Enterprise Limited and 55% by BIIF Bidco Limited

The intermediate parent undertaking is BIIF Holdco Limited, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of BIIF Holdco Limited consolidated financial statements can be obtained from the Company Secretary at Cannon Place, 78 Cannon Street, London, EC4N 6AF

The ultimate parent and controlling party is BIIF L P. BIIF L P is owned by a number of investors with no one investor having individual control

11 Transition to FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements under previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. The changes in accounting policies between UK GAAP as previously reported and FRS 102 have resulted in no adjustment to profit for the financial year ended 31 December 2014 and the total equity as at 1 January 2014 and 31 December 2014