

AquaVenture (BVI) Holdings Limited
(formerly known as Biwater (BVI) Holdings Limited)

Report and Consolidated Financial Statements

Year Ended

31 March 2015

Company number 7890599

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AquaVenture (BVI) Holdings Limited

Contents	Page
Strategic Report	1
Report of the Directors	2
Independent Auditor's Report	5
Consolidated Profit and Loss Account	7
Consolidated Balance Sheet	8
Company Balance Sheet	9
Consolidated Statement of Cash Flow	10
Notes to the financial statements	11

Company Information

Directors

The directors of the company are:

- John Curtis
- Lee Muller (Secretary)

Registered office

Jordan's Corporate Law Limited
20-22 Bedford Row
London, England WC1R 4JS

Company number

7890599

Auditors

BDO LLP
31 Chertsey Street
Guildford
GU1 4HD

AquaVenture (BVI) Holdings Limited

Strategic Report for the year ended 31 March 2015

Financial review

During the year, AquaVenture (BVI) Holdings Limited the ("Company") completed construction of the Sea Water Reverse Osmosis water facility at Paraquita Bay (the "SWRO" facility) in the British Virgin Islands, ("BVI"), and commenced the operations and maintenance of the SWRO water facility in November 2014. The completion of the water facility resulted in the recognition of service concession income, which represented \$39.9m of the \$40.8m of total turnover recognized in the year ended 31 March 2015. The Company was profitable in its first year of operations with an operating profit of \$23.4m.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. Prime amongst these relate to operational and financial performance in the context of the Company's contractual obligations and credit risk in connection with its customer, the Government of the British Virgin Islands. Strategies are in place to mitigate these uncertainties and include a range of management review procedures and subcontracting performance responsibility to an entity with expertise in water desalination operation and management.

Analysis using financial key performance indicators

Our key financial performance indicators include: turnover reported at \$40.8m (2014: \$ Nil), profit on ordinary activities before interest and taxation of \$23.4m (2014: loss of \$100); profit after interest and taxation of \$26.7m (2014: loss of \$100); net cash at bank of \$6.6m (2014: \$4.4m); and total financial assets of \$36.5m (2014: \$12.0m).

Outlook

On 11 June 2015, AquaVenture Water Corporation, a BVI company, acquired 100% of the share capital of the Company pursuant to a Stock Purchase and Sale Agreement with Biwater Holdings Limited. The Company believes that total amount of water produced and related turnover will increase next year under the new management.

Approval

The strategic report was approved on behalf of the board on:

18 February 2016



Lee Muller
Director

AquaVenture (BVI) Holdings Limited

Report of the Directors for the year ended 31 March 2015

The directors submit their report and the consolidated audited financial statements of AquaVenture (BVI) Holdings Limited (the "Company") for the year ended 31 March 2015.

Change in company name

On 2 July 2015, the Company filed with Companies House a Certification of Incorporation on Change of Name to change the Company's name to AquaVenture (BVI) Holdings Limited from Biwater (BVI) Holdings Limited.

Principal activities

The principal activities of the group are the construction, operation and maintenance of water treatment facilities in the British Virgin Islands, "BVI", under a water purchase agreement dated 28 February 2010 between the Government of the Virgin Islands and the Company and its subsequent operation of that facility under a service concession agreement.

Business review

During the previous year, the Company, with support of a UK Export Finance guarantee, secured a loan from Barclays Bank to refinance part of the capital expenditure incurred and to finance the ongoing construction of the project. The water facility was commissioned in November 2014 and should give rise to ongoing profit and dividends over the sixteen-year concession period.

Results and dividends

The result for the year was a profit transferred to reserves of \$26.7m (2014: loss of \$100).

Change in functional currency

For the 31 March 2015 consolidated financial statements, the Company changed the functional currency from the British Pound to the United States Dollar (USD). This change was the result of a requirement to issue consolidated accounts of the Company, for which the underlying functional currency of the group as a whole was the USD. For the year ended 31 March 2014, the financial statements were prepared in the currency of the British Pound as only the Company financials were required to be presented.

Directors

The directors of the Company during the period were Adrian White, Paul Stevens, and Jonathan Lamb (Secretary). Their resignation occurred on 5 June 2015 whereupon the following Directors were appointed:

- John Curtis
- Lee Muller (Secretary)

AquaVenture (BVI) Holdings Limited

Report of the Directors for the year ended 31 March 2015

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under United Kingdom Company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards and applicable law have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 of United Kingdom. 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.

Statement as to disclosure of information to the auditors

So far as each director is aware, there is no relevant audit information of which the 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 Company's auditors are aware of that information.

AquaVenture (BVI) Holdings Limited

Report of the Directors for the year ended 31 March 2015

Independent auditors

BDO LLP was appointed auditor on 8 January 2016.

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

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

By order of the board

A handwritten signature in black ink, appearing to be 'Lee Muller', written in a cursive style.

Lee Muller
Secretary

18 February 2016

AquaVenture (BVI) Holdings Limited

Independent auditor's report to the shareholders of AquaVenture (BVI) Holdings Limited

We have audited the financial statements of AquaVenture (BVI) Holdings Limited for the year ended 31 March 2015 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the statement of cash flow, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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.

AquaVenture (BVI) Holdings Limited

Independent auditor's report to the shareholders of AquaVenture (BVI) Holdings Limited

BDO LLP

Kevin Cook (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor

Guildford

Date 24/02/2016

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

AquaVenture (BVI) Holdings Limited

Consolidated profit and loss account for the year ended 31 March 2015

	Note	Year ended 31/3/15 \$	Year ended 31/3/14 \$
Turnover	1	40,821,518	-
Operating profit / (loss)	2	23,397,487	(100)
Interest payable	3	(556,956)	-
Interest receivable	3	3,841,794	-
Profit/(loss) for the financial year	9	26,682,325	(100)

All activities are derived from continuing operations.

There were no recognised gains or losses other than profit/(loss) for the year.

The notes on pages 11 to 17 form part of these accounts

AquaVenture (BVI) Holdings Limited

Consolidated balance sheet at 31 March 2015

	Note	31/3/15	31/3/14
		\$	\$
Fixed assets			
Gross cost incurred	4	78,711,909	37,687,756
Non-recourse funds	4	<u>(42,163,000)</u>	<u>(25,713,393)</u>
Total financial asset	4	36,548,909	11,974,363
Current assets			
Debtors: due within one year	6	962,428	2
Cash at bank and in hand		<u>6,645,837</u>	<u>4,352,643</u>
		7,608,265	4,352,645
Creditors: due within one year	7	<u>(2,186,556)</u>	<u>(2,670,715)</u>
Net current assets		5,421,709	1,681,930
Net assets		41,970,618	13,656,293
Capital and reserves			
Called up share capital	8	2,593	2,415
Share premium	9	15,285,800	13,653,978
Profit and loss account	9	<u>26,682,225</u>	<u>(100)</u>
Total shareholders' funds	9	41,970,618	13,656,293

Approved and authorised for issue by the board on 18 February 2016 and signed on its behalf by:



Lee Muller
Director

The notes on pages 11 to 17 form part of these accounts

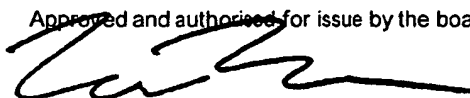
AquaVenture (BVI) Holdings Limited

Company balance sheet at 31 March 2015

Company number 7890599

	Note	\$	31/3/15	\$	31/3/14	\$
Fixed assets						
Investments in group undertakings	5		<u>15,288,391</u>		<u>13,656,391</u>	
Current assets						
Debtors: due within one year	6	<u>2</u>			<u>2</u>	
Net current assets			2		2	
Net assets			15,288,393		13,656,393	
Capital and reserves						
Called up share capital	8		2,593		2,415	
Share premium	9		15,285,800		13,653,978	
Total shareholders' funds	9		15,288,393		13,656,393	

Approved and authorised for issue by the board on 18 February 2016 and signed on its behalf by:



Lee Muller
Director

The notes on pages 11 to 17 form part of these accounts

AquaVenture (BVI) Holdings Limited

Consolidated statement of cash flow for the year ended 31 March 2015

	Note	2015 \$	2014 \$
Net cash (outflow)/inflow from operating activities	13	(2,859,231)	2,670,615
Returns on investments and servicing of finance			
Interest received	3	3,841,794	-
Interest paid	14	(398,233)	-
Net cash inflow from returns on investments and servicing of finance		584,330	2,670,615
Capital expenditure/receipts on financial investment			
Capital expenditure on financial asset	4	(18,559,584)	(37,687,756)
Receipts of financial asset	4	2,729,633	-
Cash outflow before use of liquid resources and financing		(15,245,621)	(35,017,141)
Financing			
Issue of shares	8	1,632,000	13,656,391
Bank loan advances	4	15,906,815	25,713,393
Increase in cash		2,293,194	4,352,643

The notes on pages 11 to 17 form part of these accounts

AquaVenture (BVI) Holdings Limited

Notes to the financial statements

Accounting policies

Basis of accounting

The financial statements are prepared in accordance with United Kingdom applicable accounting standards on the going concern basis.

Accounting convention

The financial statements are prepared under the historical cost convention.

Functional currency

For the 31 March 2015 consolidated financial statements, the Company changed the functional currency from the British Pound to the United States Dollar (USD). This change was the result of a requirement to issue consolidated accounts of the Company, for which the underlying functional currency of the group as a whole was the USD. For the year ended 31 March 2014, the financial statements were prepared in the currency of the British Pound as only the Company financials were required to be presented.

Basis of consolidation

The consolidated financial statements incorporate the results of AquaVenture (BVI) Holdings Limited and all of its subsidiary undertakings as at 31 March 2015 using the acquisition method of accounting as required. When the acquisition method is used, the results of the subsidiary undertakings are included from date of acquisition.

The profit and loss account of the parent entity are not included, as permitted by Section 408 of the Companies Act 2006. For the year ended 31 March 2015, the result of the parent company was £ Nil.

Turnover

Turnover comprises the value of services provided externally excluding rebates and discounts and is recognised at the point the service element is delivered.

Contract revenue is recognised as the fair value of the amounts received under the concession contract with the Government of the Virgin Islands.

Investments

Investments are stated at cost less amounts written off in respect of any impairment in value. Impairment reviews are performed by management when there are indications of impairment.

AquaVenture (BVI) Holdings Limited

Notes to the financial statements

Financial assets

A financial asset is applied where a private finance initiative ("PFI") or concession contract is entered into which provides an unconditional contractual right to receive a specified or determinable amount of cash from a public body in return for the design and construction of a public sector asset and the operation and maintenance thereof for a specified period of time. Pursuant to Financial Reporting Standards, Reporting the Substance of Transactions ("FRS 5") such assets are not recognized as property, plant and equipment.

FRS 5 is applicable to PFI and concession arrangements comprising a public service obligation and satisfying the following criteria:

- the concession grantor specifies the level of service required over the period of the contract and is required to pay for the capacity of the asset regardless of the volume of output (take or pay arrangements).
- The term of the PFI contract is materially less than the useful economic life of the asset and the residual risk is borne by the concession grantor.

Where funds received for financial assets can be separately identified and the funder has no recourse to the other assets of the Group, a linked presentation is adopted.

Where construction is undertaken for a PFI contract, where the non-recourse lender has advanced funds equal to the market value of the works undertaken to the Company, profits on construction are taken as they arise through the profit and loss account.

Finance costs directly attributable to the acquisition of qualifying assets, are capitalised and added to the cost of those assets.

AquaVenture (BVI) Holdings Limited

Notes to the financial statements

1 Turnover

Turnover by origin and destination arose in the following geographical area.

	Year ended 31/3/15 \$	Year ended 31/3/14 \$
The Caribbean	40,821,518	-

There is only one operating segment to the business which is the Caribbean. Therefore, no segmentation of the performance has been completed.

2 Operating profit/(loss) represents

	Year ended 31/3/15 \$	Year ended 31/3/14 \$
Turnover	40,821,518	-
Raw materials	(16,603,899)	-
Sub-contractors	(819,392)	-
Other external charges	(740)	(100)
	23,397,487	(100)

The audit fee is borne by AquaVenture Water Corporation, a British Virgin Islands, "BVI", company upon the Stock Purchase and Sale Agreement which occurred on 11 June 2015 to acquire the Company. As such, the audit fee of \$24,000 is not included within these accounts.

3 Net interest receivable

	Year ended 31/3/15 \$	Year ended 31/3/14 \$
Interest receivable relating to finance asset	3,841,794	-
Interest payable on bank loan	(556,956)	-
	3,284,838	-

AquaVenture (BVI) Holdings Limited

Notes to the financial statements

4 Financial asset

	Total \$
Gross financial asset	
Balance at 1 April 2014	37,687,756
Additions	18,559,584
Receipts	(2,729,633)
Fair value adjustment	25,194,202
Balance at 31 March 2015	78,711,909

	Total \$
Non-recourse funds	
Balance at 1 April 2014	(25,713,393)
Advances	(15,906,815)
Loan adjustment	502,402
Capitalized costs	(1,045,194)
Balance at 31 March 2015	(42,163,000)
Net position at 31 March 2015	36,548,909
Net position at 31 March 2014	11,974,363

The Company has engaged on the construction and operation and maintenance of water treatment facilities in the BVI under a water purchase agreement dated 28 February 2010 between the Government of the Virgin Islands and the Company.

The Company agreed a non-recourse credit facility with Barclays Bank to finance the British Virgin Islands construction project with an initial drawdown of \$22,000,000 in November 2013. The credit facility is secured by all assets and equity of the Company with recourse to the Government of the BVI in the event of non-repayment. The loan has a 7.75 year tenure and bears interest at 3.5% above USD LIBOR 3 months. The maximum draw down of the facility is \$42,163,000.

The total amount of finance costs incurred during 2015 was \$1,045,194. All of these costs were capitalised per our financial asset accounting policy as described in the accounting policy section of this report.

5 Investments in group undertakings

	Year ended 31/3/15 \$	Year ended 31/3/14 \$
Investments in group undertakings at cost	15,288,391	13,656,391

On 31 March 2015 the Company increased its investment in its subsidiary Biwater (BVI) Limited by way of the acquisition of 120 shares for total consideration of \$1,632,000 (see note 8). See note 12 for further discussion on wholly owned subsidiary.

AquaVenture (BVI) Holdings Limited

Notes to the financial statements

6 Debtors: due within one year

Group	Year ended 31/3/15 \$	Year ended 31/3/14 \$
Trade debtors	962,428	2

Company	Year ended 31/3/15 \$	Year ended 31/3/14 \$
Trade debtors	2	2

7 Creditors: amounts falling due within one year

	Year ended 31/3/15 \$	Year ended 31/3/14 \$
Payables to group subsidiaries	217,454	-
Accruals	158,723	-
Other creditors	1,810,379	2,670,715
	2,186,556	2,670,715

Amounts due to creditors are interest free and payable on demand. The Company has no creditors as at 31 March 2015.

8 Called up share capital

	Year ended 31/3/15 \$	Year ended 31/3/14 \$
Allotted 1,120 (2014: 1,000) shares	2,593	2,415

Note that the above table and following paragraph relate both to the consolidated group and the Company as these amounts will not differ between the two.

The Company was incorporated with a share capital of 10,000 shares of no par value. On 14 February 2013 the Company redeemed and cancelled 9,999 of the shares. On 10 October 2013 the Company issued 999 shares for a total share contribution of \$13,656,391. The share premium recorded on the share issue was \$13,653,978. On 31 March 2015 the Company issued 120 shares for a total share contribution of \$1,632,000. The share premium recorded on the share issue was \$1,631,822.

AquaVenture (BVI) Holdings Limited

Notes to the financial statements

9 Statement of movements in equity shareholders' funds and of movements on reserves

Group	Share capital \$	Share premium \$	Profit and loss account \$	Total 2015 \$	Total 2014 \$
Balance 1 April 2014	2,415	13,653,978	(100)	13,656,293	-
Share contribution	178	1,631,822	-	1,632,000	13,656,393
Profit for the financial year	-	-	26,682,325	26,682,325	(100)
Balance carried forward	2,593	15,285,800	26,682,225	41,970,618	13,656,293

Company	Share capital \$	Share premium \$	Profit and loss account \$	Total 2015 \$	Total 2014 \$
Balance 1 April 2014	2,415	13,653,978	-	13,656,393	-
Share contribution	178	1,631,822	-	1,632,000	13,656,393
Profit for the financial year	-	-	-	-	-
Balance carried forward	2,593	15,285,800	-	15,288,393	13,656,393

10 Related party transactions

The Company has contracted with a related party, Biwater International Limited, for the operating and maintenance portion of the water sales agreement. The agreement was conducted at an arm's length basis on normal trading terms. The services amounted to \$819,000 for the year of which \$217,000 was outstanding at year end. There were no related party transactions for the year ended 31 March 2014.

11 Ultimate parent undertaking

The ultimate parent undertaking is Biwater Holdings Limited. The consolidated accounts of Biwater Holdings Limited can be obtained from Companies House. No other group accounts include the results of the Company. On 11 June 2015, AquaVenture Water Corporation became the ultimate parent undertaking. Please refer to note 15 for more information.

12 Subsidiary undertaking

The only subsidiary undertaking is as follows:

Subsidiary undertaking	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
Biwater (BVI) Limited	British Virgin Islands	100%	Water treatment solutions

The accounts for this subsidiary are included within the consolidated results of the Company herein and are exempt under Section 479A of the Companies Act 2006.

AquaVenture (BVI) Holdings Limited

Notes to the financial statements

13 Reconciliation of operation profit/(loss) to net cash inflow/(outflow) from operating activities

	Year ended 31/3/15 \$	Year ended 31/3/14 \$
Operating profit/(loss)	23,397,487	(100)
Fair value adjustment	(25,194,202)	-
Loan adjustment	(502,402)	-
Capitalised finance costs	1,045,194	-
(Increase)/decrease in debtors	(962,426)	2,540,821
(Decrease)/increase in creditors	(642,882)	129,894
Net cash flow from operating activities	(2,859,231)	2,670,615

14 Interest Paid

	Year ended 31/3/15 \$	Year ended 31/3/14 \$
Interest payable on bank loan (note 3)	556,956	-
Less: Interest accrual (note 7)	(158,723)	-
Total interest paid	398,233	-

15 Subsequent events

The Company has evaluated subsequent events through 18 February 2016, the date the financial statements were approved by the board of directors and authorised for issuance. The subsequent events include the following:

On 11 June 2015, AquaVenture Water Corporation, a BVI company, acquired 100% of the share capital of the Company pursuant to a Stock Purchase and Sale Agreement with Biwater Holdings Limited.