

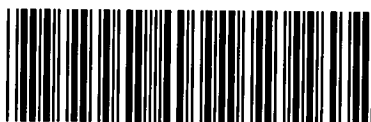
AQUAM WATER SERVICES LIMITED

Company Registration No. 09527628 (England and Wales)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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AQUAM WATER SERVICES LIMITED

COMPANY INFORMATION

Directors

Mr D Squiller	(Appointed 11 May 2017)
Mr T G Bowen	(Appointed 2 October 2017)

Company number 09527628

Registered Office

Kingsley Hall
20 Bailey Lane
Manchester Airport
Manchester
M90 4AN

Auditor

Ernst & Young LLP
2 St Peter's Square
Manchester
M2 3DF

AQUAM WATER SERVICES LIMITED

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AQUAM WATER SERVICES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

Introduction

The directors present their strategic report for the Year ended 31 December 2018.

Business Review

The loss for the period after taxation is £372,702 (2017 - £1,266,700).

The company key financial and other performance indicators during the year were as follows:

	2018	2017
Turnover	10,163,097	6,068,035
Operating Loss	(294,774)	(1,227,956)
Loss before Tax	(344,893)	(1,294,509)
Loss after Tax	(372,702)	(1,266,700)
EBITDA – Earnings/(Loss)	381,271	(804,873)
Average employee numbers	76	52

The company continues to grow, viewing customer satisfaction and service as of prime importance.

Turnover has increased by £4,095,062 due to continued growth in the core standpipe hire business aided by new contract start ups with Anglian Water, Hartlepool Water, IWNL and Dee Valley Water combined with growth in diagnostics and rehabilitation activities.

Principal Risks and Uncertainties

The company operations expose itself to a variety of financial risks, including changes in foreign currency rates of exchange, liquidity and credit risk.

Exchange Rate Risk

The company has some US Dollar denominated transactions. No hedging activities are in place to mitigate the risk but any currency payments are timed where possible to take advantage of fluctuation of exchange rates.

Liquidity Risk

The company prepares regular detailed cash flow forecasts to manage its cash reserves.

Credit Risk

Credit risk is managed by review of aged receivables and credit collection procedures. The risk is low due to the support of the water utilities where required.

Future Developments

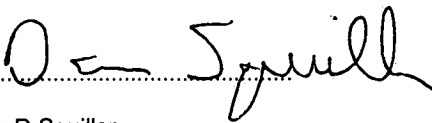
The company continues to focus on growing revenue from existing contracts and obtaining contracts from water utilities which are not currently serviced.

AQUAM WATER SERVICES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

This report was approved by the board and signed on its behalf.

.....

Mr D Squiller

Director

Date: 24/2/2020

AQUAM WATER SERVICES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and financial statements for the Year ended 31 December 2018.

Principal activities

The principal activity of the company continued to be that of the hire of water standpipes.

Business Review

The assets and undertakings of the following companies were transferred to Aquam Water Services on December 31, 2017:

JD7 Technology Limited
JD7 Limited
Whirlwind Utilities Ltd
Hydrostatic Testing Consultants Limited
H.T.C Management Services Ltd
Air Technique Services Limited

Subsequent to the end of the year these companies have either been dissolved or are in the process of being dissolved.

These companies were all previously ultimately owned by Aquam Corporation who has a 100% shareholding in Aquam Water Services Ltd.

During the year, the company commenced operating new contracts with Anglian Water. The company continues to look for further opportunities to expand its services to the water utilities.

Prior to the end of the year, the directors took actions to eliminate unprofitable business initiatives which impacted the 2018 overall loss. Those restructure actions were initiated in December of 2018 and further implemented in the first quarter of 2019.

Directors

The directors who held office during the Year and up to the date of signature of the financial statements were as follows:

Mr D Squiller (Appointed 11 May 2017)
Mr M J Hanson (Resigned 10 May 2019)
Mr T G Bowen (Appointed 2 October 2017)
Mr M Vivaldi (Resigned 31 August 2018)

AQUAM WATER SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Going Concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and its exposure to foreign exchange, liquidity and credit risk are described in the Strategic Report on page 4-5.

The directors are required to satisfy themselves as to whether the financial statements of the company should be prepared on the going concern basis. As part of the ongoing duties and activities of the Board there is continual assessment of the company's financial and commercial performance.

The Board prepares appropriate forecasts of financial performance and the assessments of future business opportunities. As of the date of signing these accounts the Parent Company, Aquam Corporation, is in advanced talks for the potential sale of the company. The company's financial advisor has received several initial proposals from qualified buyers which would result in a successful sale transaction. Upon the approval of the Parent Company's board of directors and the approval of the board of directors of the company to proceed with a sale, there is an uncertainty as to how a purchaser will choose to financially manage the company post acquisition and how that purchaser will integrate the company into its existing organisation and legal structures. The directors consider that this constitutes a material uncertainty which may cast doubt on the company's ability to continue as a going concern. In the event the company is not sold, the directors expect to have the ability to access adequate resources to continue in operations for the foreseeable future either through its profits and positive cash flow or through the support of the Parent Company.

The company completed restructuring in 2019 that was initiated by unsuccessful market expansion activities of noncore product and service offerings in the 2018 year. The strategic business and organisation restructuring measures implemented at the end of 2018 and in the first quarter of 2019 have resulted in the company's ability to generate standalone significant positive EBITDA and cash flow in 2019. During the fiscal year 2019 the company was able to generate sufficient positive cash flow to meet all of its operational cash flow needs, fund its capital asset requirements and to repay an affiliated Parent Company subsidiary approximately £1.25 million for prior year and current year capital equipment requirements for technology upgrades expected to drive future revenue and EBITDA cash growth. Sustainable profits and positive cash flow are expected to continue as forecasted in 2020 and 2021. The company still maintains significant intercompany debt and an intercompany loan with the Parent Company. The debt arrangements allow the Parent Company to transfer free cash from the company to repay these debt items, which would exceed the current free cash available to the company. Therefore, the directors consider that this constitutes a material uncertainty which may cast doubt on the company's ability to continue as a going concern if the Parent Company were to demand payment of the current outstanding intercompany debt.

AQUAM WATER SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

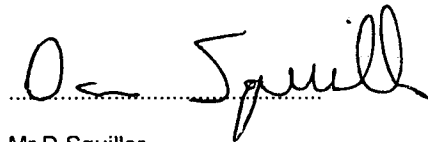
The Parent Company has provided a letter stating they will provide support to the company in meeting its liabilities for the next 12 months in the event the company's performance is such that the company is unable to meet such liabilities. The Parent Company will notify the company if circumstances change to not be able to provide that support. While the Parent Company has not shown a financial profit in recent years as evidenced by its audited and unaudited reporting, it has successfully obtained capital from debt and equity capital infusions in each of the years 2017, 2018 and 2019 through investor and outside debtor support. While the Parent Company has shown the ability to raise sufficient capital in the past to meet its operating needs and to support its subsidiaries, including the company, there is no guarantee that it will be able to do so in the future and for that reason the directors consider that this constitutes a material uncertainty which may cast doubt on the company's ability to continue as a going concern if it required the financial support of the Parent Company as provided by the support letter.

After making enquiries and based upon the information described above and based upon the positive trajectory of the company's business, the directors have a reasonable expectation that the company has access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts. The financial statements do not contain the adjustments that would result if the company was unable to continue as a going concern.

Auditor

The auditor, Ernst & Young LLP, is deemed to be appointed under section 487(2) of the Companies Act 2006 for the 2019 audit.

On behalf of the board



Mr D Squiller

Director

Date: 24-Feb-2020

AQUAM WATER SERVICES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

AQUAM WATER SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF AQUAM WATER SERVICES LIMITED

Opinion

We have audited the financial statements of Aquam Water Services Limited for the year ended 31 December 2018 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity, and the related notes 1 to 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its loss 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.

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 below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainties related to going concern

We draw attention to note 1.1 in the financial statements, which indicates the company has intercompany liabilities of £2,082,412 as at 31 December 2018 and is reliant on support from the Parent Company. The Parent Company is in discussions regarding a potential sale of the company. As stated in Note 1.1 these events or conditions, along with other matters as set forth in Note 1.1 indicate that material uncertainties exist that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

AQUAM WATER SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF AQUAM WATER SERVICES LIMITED (CONTINUED)

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 the 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 the 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 or 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, 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 directors' responsibilities statement set out on page 9, 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.

AQUAM WATER SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF AQUAM WATER SERVICES LIMITED (CONTINUED)

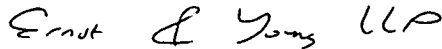
Auditor's responsibilities for the audit of the financial statements

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 on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.



.....
Tehseen Ali (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
Date

24/2/2020

AQUAM WATER SERVICES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2018

		Year Ended 31 December 2018 £	Year Ended 31 December 2017 RESTATED £
	Notes		
Turnover		10,163,097	6,068,035
Cost of Sales		(3,676,360)	(2,695,282)
Gross Profit		6,486,737	3,372,753
Administrative expenses		(6,557,856)	(3,538,683)
Exceptional item	3	(223,655)	(1,062,026)
Operating loss		(294,774)	(1,227,956)
Interest payable and similar expenses	5	(50,119)	(66,553)
Loss before tax		(344,893)	(1,294,509)
Tax on loss	6	(27,809)	27,809
Loss after tax		(372,702)	(1,266,700)

The notes on pages 16 – 27 form part of these financial statements.

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¹ Refer to note 1.17 Prior Period Adjustments for additional disclosure information regarding the restatement of 2017 comparatives

AQUAM WATER SERVICES LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2018

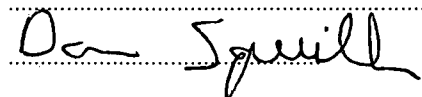
	Notes	£	2018 £	2017 RESTATED £
Fixed assets				
Intangible assets	8		693,986	672,631
Tangible assets	9		3,077,135	1,542,366
Current assets				
Stocks		499,617		104,137
Debtors	10	4,050,936		1,053,163
Cash at bank and in hand		493,619		2,259,929
		<u>5,044,172</u>		<u>3,417,229</u>
Creditors: amounts falling due within one year	11	<u>(9,674,385)</u>		<u>(6,048,029)</u>
Net current liabilities			<u>(4,630,213)</u>	<u>(2,630,800)</u>
Total assets less current liabilities			(859,092)	(415,803)
Creditors: amounts falling due after more than one year	12		(219,361)	(289,948)
Net liabilities			<u>(1,078,453)</u>	<u>(705,751)</u>
Capital and reserves				
Called up share capital	13		10,000,000	10,000,000
Profit and loss reserves			(11,078,453)	(10,705,751)
Total equity			<u>(1,078,453)</u>	<u>(705,751)</u>

The notes on pages 16 – 27 form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on

24/2/2020

and are signed on its behalf by:



Mr D Squiller
Director
Company Registration No. 09527628

¹ Refer to note 1.17 Prior Period Adjustments for additional disclosure information regarding the restatement of 2017 comparatives

AQUAM WATER SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital £	Profit and loss reserves £	Total £
Balance at 31 December 2017 RESTATED	10,000,000	(10,705,751)	(705,751)
Period ended 31 December 2018			
Loss for the financial year	-	(372,702)	(372,702)
Balance at 31 December 2018	<u>10,000,000</u>	<u>(11,078,453)</u>	<u>(1,078,453)</u>

The notes on pages 16 – 27 form part of these financial statements.

¹ Refer to note 1.17 Prior Period Adjustments for additional disclosure information regarding the restatement of 2017 comparatives

AQUAM WATER SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

Company information

Aquam Water Services Limited is a private company limited by shares incorporated in England and Wales. The registered office is Kingsley Hall, 20 Bailey Lane, Manchester Airport, Manchester, M90 4AN.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows

This information is included in the consolidated financial statements of Aquam Corporation, which is the ultimate controlling party and the address is given in note 16.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Going Concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and its exposure to foreign exchange, liquidity and credit risk are described in the Strategic Report on page 4-5.

The directors are required to satisfy themselves as to whether the financial statements of the company should be prepared on the going concern basis. As part of the ongoing duties and activities of the Board there is continual assessment of the company's financial and commercial performance.

The Board prepares appropriate forecasts of financial performance and the assessments of future business opportunities. As of the date of signing these accounts the Parent Company, Aquam Corporation, is in advanced talks for the potential sale of the company. The company's financial advisor has received several initial proposals from qualified buyers which would result in a successful sale transaction. Upon the approval of the Parent Company's board of directors and the approval of the board of directors of the company to proceed with a sale, there is an uncertainty as to how a purchaser will choose to financially manage the company post acquisition and how that purchaser will integrate the company into its existing organisation and legal structures. The directors consider that this constitutes a material uncertainty which may cast doubt on the company's ability to continue as a going concern. In the event the company is not sold, the directors expect to have the ability to access adequate resources to continue in operations for the foreseeable future either through its profits and positive cash flow or through the support of the Parent Company.

AQUAM WATER SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

The company completed restructuring in 2019 that was initiated by unsuccessful market expansion activities of noncore product and service offerings in the 2018 year. The strategic business and organisation restructuring measures implemented at the end of 2018 and in the first quarter of 2019 have resulted in the company's ability to generate standalone significant positive EBITDA and cash flow in 2019. During the fiscal year 2019 the company was able to generate sufficient positive cash flow to meet all of its operational cash flow needs, fund its capital asset requirements and to repay an affiliated Parent Company subsidiary approximately £1.25 million for prior year and current year capital equipment requirements for technology upgrades expected to drive future revenue and EBITDA cash growth. Sustainable profits and positive cash flow are expected to continue as forecasted in 2020 and 2021. The company still maintains significant intercompany debt and an intercompany loan with the Parent Company. The debt arrangements allow the Parent Company to transfer free cash from the company to repay these debt items, which would exceed the current free cash available to the company. Therefore, the directors consider that this constitutes a material uncertainty which may cast doubt on the company's ability to continue as a going concern if the Parent Company were to demand payment of the current outstanding intercompany debt.

The Parent Company has provided a letter stating they will provide support to the company in meeting its liabilities for the next 12 months in the event the company's performance is such that the company is unable to meet such liabilities. The Parent Company will notify the company if circumstances change to not be able to provide that support. While the Parent Company has not shown a financial profit in recent years as evidenced by its audited and unaudited reporting, it has successfully obtained capital from debt and equity capital infusions in each of the years 2017, 2018 and 2019 through investor and outside debtor support. While the Parent Company has shown the ability to raise sufficient capital in the past to meet its operating needs and to support its subsidiaries, including the company, there is no guarantee that it will be able to do so in the future and for that reason the directors consider that this constitutes a material uncertainty which may cast doubt on the company's ability to continue as a going concern if it required the financial support of the Parent Company as provided by the support letter.

After making enquiries and based upon the information described above and based upon the positive trajectory of the company's business, the directors have a reasonable expectation that the company has access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts. The financial statements do not contain the adjustments that would result if the company was unable to continue as a going concern.

1.2 Reporting period

The financial statements have been prepared for the 12 month period to 31 December 2018.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

AQUAM WATER SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

1.4 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost or value of the asset can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Development costs	Nil amortisation
Water contract	50% straight line

The amortisation of the development costs will begin when the asset has been completed and there are revenue inflows to the entity.

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Property improvements	20% straight line
Plant and equipment	20% straight line
Fixtures and fittings	20% straight line
Computers	33% straight line
Motor vehicles	25% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is credited or charged to profit or loss.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

AQUAM WATER SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.9 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less.

1.10 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

AQUAM WATER SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.15 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

1.17 Prior Period Adjustments

During the year, the company determined that revenue from certain long term contracts, entered into by the company in 2017, did not meet the revenue recognition criteria in the prior reporting period. As a result, revenue and accounts receivable were overstated in those years by £696,942.

Furthermore, the company made a prior period adjustment to record uncollectible receivables write off on certain long term contracts entered into in prior years for a total amount of £176,868 which resulted in net loss being understated and accounts receivable overstated in the prior reporting periods.

These related to the diagnostics activities of the company. The impact has been to reduce profit in that year by £775,630.

The following Profit and Loss lines have been impacted:

Decrease in Turnover	£696,942
Increase in Administrative expenses	£78,688

The following Balance Sheet lines have been impacted

Decrease in Debtors	£873,810
Decrease in Creditors falling due within one year	£98,180

AQUAM WATER SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

2 Operating Profit

The operating loss is stated after charging:

	2018 £	2017 £
Other operating leases	233,704	298,649
Depreciation - owned assets	667,001	423,083
Goodwill and other amortisation	2,162	8,652
Foreign exchange differences	<u>4,316</u>	<u>2,824</u>

3 Exceptional costs

During the year the company incurred restructuring costs and related severance payments.

	2018 £	2017 £
Restructuring costs	<u>223,655</u>	<u>1,062,026</u>
	<u>223,655</u>	<u>1,062,026</u>

4 Employees

Staff costs, were as follows:

	2018 £	2017 £
Wages and salaries	2,281,966	1,716,317
Social security costs	<u>229,968</u>	<u>180,121</u>
	<u>2,511,934</u>	<u>1,896,438</u>

The average monthly number of persons employed by the company during the Year was 76 (2017 - 52).

AQUAM WATER SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

5 Interest payable and similar expenses

	2018 £	2017 £
Finance charges payable under finance leases and hire purchase contracts	3,113	840
Interest payable to group undertakings	47,006	65,713
	<u>50,119</u>	<u>66,553</u>

6 Taxation

	2018 £	2017 £
UK Corporation Tax		
Current tax on profits of the year	-	-
Adjustment in respect of previous periods	-	-
Total current tax	<u>-</u>	<u>-</u>

Deferred tax

Adjustment in respect of prior periods	27,809	(27,809)
Total deferred tax	<u>27,809</u>	<u>(27,809)</u>
Total tax per profit and loss	<u>27,809</u>	<u>(27,809)</u>

Loss for the period	<u>(344,893)</u>	<u>(1,294,509)</u>
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Tax on loss on ordinary activities at the standard rate of corporation tax of 19% (2017 - 19.25%)	(65,529)	(249,193)
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Effects of:

Expenses not deductible	96,831	221,384
Adjustment from previous periods	27,809	-
Deferred tax not provided	(31,302)	-
Tax charge for the period	<u>27,809</u>	<u>(27,809)</u>

Income tax expense reported in the profit and loss statement	27,809
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Deferred tax (assets) / liabilities

Provision at start of period	(27,809)	
Adjustment in respect of prior periods	27,809	
Deferred tax charge to income statement for the period	-	(27,809)

Provision at end of period

- (27,809)

AQUAM WATER SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

7 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	2018 £	2017 £
In respect of:		
Development costs	335,847	-

8 Intangible fixed assets

	Development costs £	Water contract £	Total £
Cost			
At 1 January 2018	669,977	17,304	687,281
Acquired as per transfer	335,847		335,847
Additions	23,517	-	23,517
At 31 December 2018	1,029,341	17,304	1,046,645
Amortisation and impairment			
At 1 January 2018	-	14,650	14,650
Amortisation charged for the Year	-	2,162	2,162
Impairment for the Year	335,847	-	335,847
At 31 December 2018	335,847	16,812	352,659
Carrying amount			
At 31 December 2018	693,494	492	693,986
At 31 December 2017	669,977	2,654	672,631

AQUAM WATER SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

9 Tangible fixed assets

	Land and buildings £	Plant and machinery £	Office Equipment / Fixtures & Fittings £	Total £
Cost				
At 1 January 2018	48,038	1,859,000	202,241	2,109,279
Acquired as per transfer	4,430	447,698	3,232	455,360
Additions	42,148	1,970,680	42,064	2,054,892
Disposals	-	(301,599)	-	(301,599)
At 31 December 2018	<u>94,616</u>	<u>3,975,779</u>	<u>247,537</u>	<u>4,317,932</u>
Depreciation and impairment				
At 1 January 2018	12,949	457,876	96,088	566,913
Depreciation charged for the Year	18,743	594,886	63,372	677,001
Eliminated in respect of disposals	-	(3,332)	-	(3,332)
At 31 December 2018	<u>31,692</u>	<u>1,049,430</u>	<u>159,460</u>	<u>1,240,582</u>
Carrying amount				
At 31 December 2018	<u>62,924</u>	<u>2,926,349</u>	<u>88,077</u>	<u>3,077,350</u>
At 31 December 2017	<u>35,089</u>	<u>1,401,124</u>	<u>106,153</u>	<u>1,542,366</u>

10 Debtors

	2018 £	2017 £
Amounts falling due within one year:		
Trade debtors	1,763,873	284,647
Amounts owed by group undertakings	1,947,565	792,941
Other debtors	<u>339,498</u>	<u>(52,235)</u>
	<u>4,050,936</u>	<u>1,025,353</u>
Amounts falling due after more than one year:		
Deferred tax asset	-	27,809
Total debtors	<u>4,050,936</u>	<u>1,053,162</u>

AQUAM WATER SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

11 Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	1,856,577	148,267
Amounts due to group undertakings	2,082,412	2,408,546
Other taxation and social security	44,641	234,630
Other creditors	<u>5,690,755</u>	<u>3,256,586</u>
	<u>9,674,385</u>	<u>6,048,029</u>

12 Creditors: amounts falling due after more than one year:

Hire purchase liabilities	<u>219,361</u>	<u>289,948</u>
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The hire purchase liabilities are secured on the assets that they relate to.

There is a debenture facility secured by fixed and floating charges over the assets of the company.

13 Called up share capital

	2018 £	2017 £
Ordinary share capital		
Issued and fully paid		
8,700,000 AW Ordinary Shares of £1 each	8,700,000	8,700,000
500,000 BW Ordinary Shares of £1 each	500,000	500,000
500,000 CW Ordinary Shares of £1 each	500,000	500,000
150,000 DW Ordinary Shares of £1 each	150,000	150,000
150,000 EW Ordinary Shares of £1 each	<u>150,000</u>	<u>150,000</u>
	<u>10,000,000</u>	<u>10,000,000</u>

All share classes shall have attached to them full capital distribution (including on winding up) rights; they shall have the right to a dividend as declared from time to time for that class of share but so that all classes of share shall not rank pari passu for the dividend entitlement purposes; they shall have full voting rights other than the EW ordinary shares and none of the classes confer any redemption rights.

AQUAM WATER SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

14 Obligations under leases and hire purchase contracts

The company use finance leases and hire purchase contracts to acquire plant and machinery and vehicles. Future minimum lease payments due under finance leases and hire purchase contracts:

	2018 £	2017 £
Not later than 1 year	178,618	-
Later than 1 year and not later than 5 years	40,743	289,948
Later than 5 years	-	-
	<u>219,361</u>	<u>289,948</u>

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, as follows:

	2018 £	2017 £
Not later than 1 year	232,450	191,075
Later than 1 year and not later than 5 years	537,585	733,671
Later than 5 years	<u>49,840</u>	<u>46,292</u>
	<u>819,875</u>	<u>971,038</u>

AQUAM WATER SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

15 Related party transactions

During the year the company entered into transactions with related parties, in the ordinary course of business. Transactions entered into and trading balances outstanding at the reporting end date, are as follows:

Related party	Purchases from Orbis Investments £	Amounts owed to Orbis Investments £
2018	736,389	670,968
2017	-	-

Terms and conditions of transactions with related parties:

Sales and purchases between related parties are made at normal market prices. Outstanding balances with entities are unsecured and interest free. The company has not provided or benefited from any guarantees for any related party receivables or payables.

16 Parent company

The parent company of the entity is Aquam Corporation, a company registered in Canada, by way of its 100% shareholding. The registered office is 106 McMaster Ave., Ajax ON L1S 2E7, Canada.