Biwater Holdings Limited

Report and consolidated financial statements

Fifteen months ended
30 September 2020

Company Number 00929686

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Biwater Holdings Limited

Report and consolidated financial statements for the period ended 30 September 2020

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

Company Number 00929686

Board of Directors

Sir Adrian White CBE, DL, C.Sci, D.Univ, FCIWEM (Chairman)
P B Stevens FCCA
J J Jones BSc, MBA*
J S Lamb LLB
J L Wick *
P R S Earl *

* Non-executive directors

Company Secretary

J S Lamb LLB

Registered Office

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

Auditors

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

Chairman's statement
for the period ended 30 September 2020

Biwater continues to work strenuously on solving water scarcity and poor sanitation across the globe, as our contracts in Africa, North America and the Middle East demonstrate.

2020 has seen some of the most difficult living and trading conditions for the last eighty years as the global pandemic grips all economies, all companies and all people's lives. For Biwater, this has meant temporary cessation on live projects as our employees, contractors and clients safety became paramount. It has also delayed many projects from commencing and having to find a way to work remotely as strict lockdowns were being imposed across all the countries in which we operate.

Our 2020 financial statements reflect the impact from these events given the nature of our services as the Group strived to maintain live operations providing vital water and wastewater treatment solutions within the constrained working environment and suffering significant delays in recovering sums due for construction and operating activities.

I am very proud to say that our Africa region and engineering teams successfully completed in December 2020, the initial development phase of the US$ 272 million Tamale Ghana Water Supply Scheme which includes the design, environmental & social impact assessments - and pre construction deliverables required by all parties, all during the height of the pandemic. This 135,000 m^3/day water treatment contract will now be constructed over the next three years providing clean drinking water to the West African regions fastest growing city.

Throughout the year, Biwater's USA arm has maintained and grown its presence in the high-tech reverse osmosis and ultrafiltration sector of the domestic market with ground-breaking technology, bidding and winning a series of important projects and are well placed for the future.

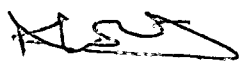
At the time of writing this report, lockdowns have eased, economies are rebounding, and projects are commencing. The Group has a significant backlog of signed contracts worth over US$ 1.6 billion and we look forward to commencing these works and delivering our services where our capabilities are needed most.

In May 2021, after three years research and development Biwater also launched its products packaged plant solutions substantially enhancing our range of treatment delivery, reducing costs, delivery and installation times. Supporting brochures, printed in seven languages, have produced impressive results and many enquiries from across the world.

Business development initiatives are also yielding a significant number of prospects across all regions as economies look to funded infrastructure activities as part of the global recovery with new opportunities in Central and South America and the Middle East in particular. The Biwater Group continues to focus on securing large infrastructure projects with proposals to improve water provision to stressed areas worldwide, with funding from multiple Agencies, Funds and Trusts.

Biwater anticipate completion on a number of key initiatives which will substantially enhance its revenue during 2022 and thereafter.

I most sincerely commend all of the Group's employees for their adaptability and hard work, now and throughout the year under review, and wish them and their families, our partners, our suppliers and our clients, everything of the best for robust health and a swift return to business 'as usual' in the months to come.



Sir Adrian White CBE
Chairman

Strategic report
for the period ended 30 September 2020

The Directors present the Strategic report together with the audited consolidated financial statements for the period ended 30 September 2020.

Business Overview

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

The decline in turnover and loss for the period are a consequence of the delayed commencements on our large signed contracts and the impact Covid-19 has had on our global activities, which has included temporary cessations on live projects and delays in progress certifications. Net assets have also dropped as we await the significant cash flows to commence on these projects.

Ongoing support from Export Credit Agencies (ECAs) from around the world – in particular UK Export Finance (UKEF), with strong political support from UK Government's Department for International Trade - has assisted in major contract awards to date and continues to support in the development of significant new international sales opportunities. An example of this being the $272m contract for the Tamale Water Supply Scheme in Ghana, with its 100% externally financed, UKEF-supported solution. This project reached its first financial close in December 2019 and has become effective as of March 2020. Biwater commenced this project, with the initial design and environmental phase of works which was completed in December 2020, before constructing the new water treatment plant which will provide 135,000 m3/ per day of drinking water.

Our $201m contract in Cameroon for the design, construction, refurbishment and extension of water treatment, production, storage and distribution infrastructure, spanning 13 locations across the country, is a further example of an ECA-supported project which the Biwater Group is able to offer. This project, which has suffered delays in commencement of construction activities, has now concluded its design and environmental works phase, and following further budget approvals in territory and when there is the final presidential decree, will then be delivered over the next three years.

Our contract in the Kurdistan Region of Iraq, to deliver a large 600,000 m3/day water treatment plant in Erbil and wastewater treatment facilities in Sulaimani, has been delayed, impacted by the Government elections across Iraq. The development phase of this $1.2bn contract and all necessary deliverables has been completed by Biwater. In agreement with the Kurdistan Regional Government, the contract has been divided into two phases to deliver an initial 300,000 m3/day water treatment plant in Erbil. Funding support for these phases as well as the conclusions to the budget and oil sharing agreements between Federal Iraq and the semi-autonomous Kurdistan Region, is being concluded before progressing to financial close on this landmark project. In the interim, addressing the urgent humanitarian water needs across the region in the intervening period, Biwater has been carrying out emergency early works to increase clean water provision in the region.

Biwater Inc. in Los Angeles, California has demonstrated growth as an essential business and leading membrane technology provider in its domestic market, and despite the complexity brought about by the global pandemic, it has had an exceptionally successful year, executing 11 projects with a total installed capacity over 285,000 m3/day, while continuing to expand its market share. Biwater Inc's contribution to group revenue has been notable, with its robust business growth and bidding successes continuing to drive an upwards trajectory. In the past 12 months, Biwater Inc. shipped or commissioned membrane systems to a number of facilities, including the Westside Recycled Water Treatment Facility in San Francisco, California, and the Marine Corps Air Station Water Treatment Plant in Cherry Point, North Carolina.

Strategic report
for the period ended 30 September 2020 *(continued)*

Business Overview *(continued)*

Biwater Inc. has continued work on several other projects, this includes Orange County's Groundwater Replenishment System in California, the world's largest facility for indirect potable reuse at 492,000 m3/day, and the delivery of the nanofiltration system for the Valencia Advanced Reuse Facility in Los Angeles, California.
Over the past year, Biwater Inc. has continued to expand its market share having bid and won a number of projects. New project contracts underway include the West Villages Desalination project in Florida, and the following four California projects, the North City Pure Water Project, San Diego, North Pleasant Valley Desalter, the Santa Margarita Conjunctive Use Project, and the Reverse Osmosis Retrofit project in Beverly Hills.

Biwater Inc. was recognised for its achievements of 2020 at the 2021 Global Water Awards, and was awarded Distinction for Desalination Company of the Year. Global Water Intelligence (GWI) stated, "In a year that saw the pandemic rewrite the rules for international markets, Biwater Inc. soared above its competitors to take an unassailable grip on the US's membrane treatment plant market with its most successful year of trading ever."
In addition to this, Biwater Inc.'s ultrafiltration and reverse osmosis project, the Albert Robles Center for Water Recycling (ARC) was awarded a Distinction for Water Project of the Year.

Outlook

The Group continues to be successful in winning new contracts around the world with our innovation and total solutions approach, including where needed the sourcing of the low-cost, long tenor funding, combined with Biwater's history and credentials of delivering projects in over 90 countries, giving Biwater the competitive edge to secure new contract awards.

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

The Group now has existing and future contract work of over £1.2 billion from signed contracts which, pending financial close, as in the $272m Ghana contract for example, will significantly affect the financial results of the Group in the future, and increase our capabilities and presence across our core territories.

The Covid-19 pandemic in 2020 has impacted the global economy, although with Biwater's customer base being largely public sector, with client Governments' Ministries of Finance supporting the larger, vital, externally-financed water infrastructure projects we undertake, in what is expected to be a continuing low interest rate environment, Biwater can look forward with confidence to undiminished demand for its services. Further information is included later in this Strategic report and also in the 'Going concern' section of note 1 to the financial statements which highlights a material uncertainty.

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

Markets and trends

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

Strategic report
for the period ended 30 September 2020 *(continued)*

Markets and trends *(continued)*

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

Objectives and strategy

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

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

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

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

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Key performance indicators

	15 months to September 2020 £m	Year to 2019 £m
Revenue: *As the prime measure of our economic output, revenue growth is key to measuring shareholder return and the success of our expansion strategies*	**20.6**	21.2
Loss before taxation: *Loss before taxation provides an indication of the quality of turnover growth*	**(16.9)**	(10.7)
Loss after taxation: *Loss after taxation provides an overall indication of the performance of the Group in managing its operational and fiscal risks in all its market places*	**(20.3)**	(10.3)
Net assets before pension liability: *This provides a measure of the net change in shareholder value in the year*	**2.7**	23.2
Cash at bank (including restricted balances) less overdrafts: *The movement on the net cash at bank balance provides an indication of our financial flexibility and strength*	**0.6**	1.9

Strategic report
for the period ended 30 September 2020 *(continued)*

Risk management

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

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

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

The Group also maintains a risk management process which includes the maintenance of risk registers which are reviewed by the Executive Committee.

Principal risks and uncertainties

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

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

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

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

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

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

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

Strategic report
for the period ended 30 September 2020 *(continued)*

Principal risks and uncertainties *(continued)*

2. Large contract credit risk

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

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

3. Foreign currency risk

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

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

4. Interest rate risk

Due to the Group's reliance on a small number of large contracts and the inherent uncertainties over the lead times in achieving financial close on those contracts, the Group is subject to interest rate risk during periods when there is reliance on loans and overdrafts. The Group seeks to minimise the impact of fluctuating interest rates by securing loans at fixed rates of interest and keeping fluctuating rate borrowings to a minimum.

5. Liquidity risk

A significant proportion of the Group's revenue comes from a small number of large contracts. These contracts can have uncertain lead times before construction activities commence and therefore the Group is subject to liquidity risk. The Group closely monitor short term liquidity by managing available cash balances via daily monitoring of available funds and by ensuring that appropriate banking facilities are available in each territory. Long term liquidity is managed by ensuring that the capital structure of the business can deliver a stable platform for the delivery of the Group's major contracts.

6. Retirement benefits risk

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

Strategic report
for the period ended 30 September 2020 *(continued)*

Principal risks and uncertainties *(continued)*

6. Retirement benefits risk *(continued)*

In common with many defined benefit schemes, the BRASS scheme was exposed to actuarial losses resulting from the Government quantitative easing policies impacting on investment returns and discount rates. The IAS19 deficit at 30 September 2020, net of a deferred tax asset, was £17.0m (2019: £13.9m). A long-term recovery scheme is in place out to 2034.

During the period under review aggregate employer cash contributions to the defined benefit sections of BRASS amounted to £2.8m (2019: £2.7m).

7. Covid-19 pandemic

At Biwater, the health and well-being of our employees, clients, suppliers and the communities we operate in is our most important priority. We are continuing to monitor this situation daily and are aligning our actions with the recommendations from the World Health Organisation and local governments in all the countries we operate in.

For cases where we are or have been mandated to close offices at the request of local governments, we are ready and able to implement our business continuity plans to provide uninterrupted service to our clients. Our ability to work from home allows our business to remain operational. For decades our global team have collaborated while working remotely, and our workforce is therefore accustomed to working virtually.

In locations where government policy permits, our offices and worksites are open to support employees for business-critical roles and activities. In addition, following local guidance, our Biwater teams are continuing to provide operation and maintenance support for our client's water and wastewater treatment plants around the world, which deliver essential services to the countries they operate in. In these instances, measures are in place to enable appropriate social distancing, and we have implemented strict health and safety guidelines within our offices, treatment plants and worksites, and have also applied proactive measures for any staff members who may feel ill or may be otherwise at risk.

In some countries, lock down restrictions and border closures may temporarily impede progress on worksites, and we will continue to monitor the situation on a case by case basis. These measures will continue to remain in place until the World Health Organisation and local governments advise otherwise. We remain fully committed to deliver on the work that has been entrusted to us from our clients and the communities in which we serve.

To mitigate the financial impact of Covid-19 and protect our cash position during this period of disruption, we are implementing a number of prudent actions including:

- Making reductions to our cost base and deferring capital expenditure;
- Taking advantage of the opportunity to defer PAYE and other payments; and
- Our employees and directors have agreed a 20% reduction in salaries.

To safeguard jobs across the Group we will make use of the Government's job retention scheme, and will 'furlough' the affected workforce, ensuring immediate remobilisation when conditions improve.

Debt funding arrangements with existing providers have been maintained and increased over the last 12 months as well as further support from the shareholders to assist in managing cash flow requirement and delays in contract receipts.

Strategic report
for the period ended 30 September 2020 *(continued)*

Principal risks and uncertainties *(continued)*

7. Covid-19 pandemic *(continued)*

Biwater's customer base is largely public sector, and whilst some countries economy is oil based, which is suffering a short term price decline, our client Governments' Ministries of Finance are supporting the larger, vital, externally-financed water infrastructure projects we undertake, in what is expected to be a continuing low interest rate environment.

Biwater's order book and pipeline of opportunities remains strong, and we therefore look forward with confidence to undiminished demand for its services.

Directors' statement of compliance with duty to promote the success of the Group

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of key stakeholders in the Company in their decision making. Key stakeholders have been identified as shareholders, customers, employees, suppliers, lenders and the pension fund.

Shareholders: The Company's shareholders are directors of the ultimate parent company and are fully involved in the day to day operations of the business and attend board meetings.

Customers: The Group's business is reliant on a small number of large customers, mainly public sector bodies. There is regular communication at senior management level with all major customers to ensure that they are fully aware of developments in the business.

Employees: Motivated and satisfied employees are essential to our business. The Company strives to achieve high standards in its dealings with employees. The Company provides comprehensive induction and ongoing training tailored to individual needs. Further information regarding employee involvement is included in the Directors' Report.

Suppliers: The Company maintains appropriate arms-length trading relationships with suppliers and is fully committed to fairness in its dealing with suppliers. The Directors continue to ensure there is full regard to the long-term interests of both the Company and its key stakeholders including the impact of its activities on the community, the environment and the Company's reputation. In doing this the Directors act fairly and in good faith taking into account what is most likely to promote the long-term success of the Company.

Lenders: The Company maintains close relationships with its lenders including periodic meetings and provision of regular financial information along with updates regarding the progress and status of major contracts.

Pension fund: The Company has regular dialogue with the independent trustees of the pension fund to ensure that they are kept informed of all key developments. The trustees also receive regular financial information and updates regarding the progress and status of major contracts.

The Directors continuously take into account the interests of its principal stakeholders when engaging with them. This is achieved by information provided through management and by ongoing direct engagement with the stakeholders themselves as required.

Strategic report
for the period ended 30 September 2020 *(continued)*

Directors' statement of compliance with duty to promote the success of the Group *(continued)*

The Board has ensured an appropriate business structure is in place to ensure open an effective engagement with the workforce via the executive directors and the senior management team. The Board and the senior team work responsibly with all relevant stakeholders and has appropriate anti-corruption and anti-bribery, equal opportunities and whistleblowing procedures and policies in place. All Directors, professional advisors and the Company Secretary act to ensure sufficient consideration is given to stakeholder issues.

Specific key decisions made by the Directors in the period to act in the best interests of the Company included:

- decisions and actions taken to comply with evolving Covid 19 regulations to protect staff, customers and other stakeholders by providing a Covid 19 safe environment,
- operational decisions relating to when to close or re-open in line with regulations including actions relating to the furloughing of staff, and
- financial decisions relating to cashflow management, the efficient use of resources and settlement of obligations with customers and suppliers on a timely basis.

On behalf of the Board

P B Stevens
Director

21 January 2022

Directors' report
for the period ended 30 September 2020

The Directors present their report together with the audited consolidated financial statements for the period ended 30 September 2020.

Principal activities

The principal activities of the Group are the provision of services to the water and wastewater industry worldwide. Further details of the nature of business of the principal group undertakings are given in note 27 to the consolidated financial statements. The Group operates out of a number of branches and subsidiaries worldwide in order to bid locally for, and manage, its contracts.

Results for the period

Revenue for the fifteen months ended September 2020 was £20.6m, similar to the prior year as core activities continue with ongoing and new contracts in the US, Morocco, Nicaragua and Sudan, were complimented with the initial development phase of the Tamale Ghana contract, whilst we await the commencement of major projects progressing towards financial close.

The Group reports a loss on ordinary activities before taxation of £16.9m compared to a loss of £10.7m in the prior year.

The Directors do not recommend the payment of a dividend (2019: £nil).

The Group had net cash at bank of £0.6m at September 2020 (June 2019: £1.9m).

Net assets stand at £2.7m excluding the Group's pension liability (2019: £23.2m). Bond guarantee levels at 30 September 2020 were £6.7m (2019: £5.4m).

The gross pension liability increased by £3.1m in the period, despite contributions of £2.8m and a healthy asset performance from a diverse, well matched portfolio, as there was a sharp decrease in the discount rate for 2020. The Group's deficit recovery plan continues ahead of target and has a long-dated recovery period agreement in place, which has 14 years remaining.

Derivatives and other financial instruments

The Group holds cash and short-term deposits to fund its operations and has various other financial instruments such as trade debtors and trade creditors arising directly from its operations. The accounting policy for financial instruments is detailed in note 1. The Group utilised no derivative financial instruments at 30 September 2020.

Employee involvement

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

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

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

Directors' report
for the period ended 30 September 2020 *(continued)*

Directors and their interests

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

Sir Adrian White
Mr AG White (resigned 22 November 2021)
Mr RB White (resigned 19 August 2020)
Mr JJ Jones
Mr PB Stevens
Mr JS Lamb
Ms JL Wick (appointed 13 January 2020)
Mr PRS Earl (appointed 1 May 2021)

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

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

Directors' indemnities

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

Future developments and financial risk management

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

Going concern

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

The Directors have prepared forecasts for the Group for a period of 12 months and subject to the completion of a successful capital raise as detailed below are confident that the Group and the Company will be able to continue in operation and meet its liabilities as they fall due for at least the next twelve months following approval of these financial statements. As such, the financial statements have been prepared on a going concern basis.

The Directors recognise that inherent within international contracting are uncertainties around the timing and receipt of significant contract sums. The Directors have forecast future expected receipts in respect of a number of signed international long-term contracts over the forecast period of 12 months from the date of signing these financial statements using their considerable experience of the industry; although the timing of the customer's funding for these signed contracts and therefore the timing of receiving related contracted amounts is uncertain. At January 2022, the construction phase of one such large contract is at the later stages of the client obtaining funding, which would give rise to an initial payment of $39.6m for which one of the conditions precedent is the completion of the capital raise as considered below. This provides additional visibility over the timing of contract receipts relating to this contract.

Directors' report
for the period ended 30 September 2020 *(continued)*

Going concern *(continued)*

Covid-19 has certainly had a dramatic effect across the world and whilst the Group has been able to achieve new contract awards throughout this period, it has also further delayed large construction activity on certain contracts. However, as the world returns to normal, the Group is seeing an increase in demand for our services across all international territories, and a growing pipeline of opportunities to deliver. This has given rise to a capital raise initiative where the Group is seeking new permanent capital to both strengthen the balance sheet and help facilitate the growth expectations. Significant progress is being made and the Group are in discussions with interested investment funds to raise a minimum net £50m. The Group expects to close a new equity injection in the first quarter of 2022. In the interim period, the Group has obtained short term funding of £5.9m from a number of parties to meet short-term cash requirements as set out in note 26 and are in discussions to obtain further short-term funding of $2m. In respect of the loan notes, subsequent to the balance sheet date there have been covenant breaches, however the holders have provided confirmation that it is not their current intention to demand immediate repayment of amounts due and that they are supportive of the capital raise process. If the capital raise is delayed the Group will look at additional funding options to meet any further short-term requirements.

The Board and the main shareholder are confident that in light of progress to date on the capital raise, and support to date in meeting short term cash requirements that this will be successfully concluded. However, the directors recognise this is not guaranteed. In view of the above, the successful completion of a capital raise and obtaining further funds in the event the forecast timing of contract receipts is later than expected are considered to be material uncertainties, which may cast significant doubt over the Group's and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company was unable to continue as a going concern.

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under this law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (as adopted by the European Union) and the Company financial statements in accordance with Financial Reporting Standard 102 UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period.

In preparing these financial statements the Directors are required to:

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

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

Directors' report
for the period ended 30 September 2020 *(continued)*

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

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

Accounting reference date

The Company's accounting reference date has been changed from 29th June to 30th September. In accordance with Section 390A of the Companies Act 2006, the Directors prepared the 2019 Group and Company financial statements to the 30th June. Accordingly, these financial statements are for the 15 month period from 1st July 2019 to 30th September 2020.

Auditors

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

Statement as to disclosure of information to the auditors

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

Approved by the Board and signed on its behalf by

P B Stevens
Director

21 January 2022

Independent auditor's report
for the period ended 30 September 2020

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF BIWATER HOLDINGS LIMITED

Opinion

We have audited the financial statements of Biwater Holdings Limited ("the Parent Company") and its subsidiaries ("the Group") for the period ended 30 September 2020 which comprise the consolidated statement of profit or loss, the consolidated statement of total comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity, the company balance sheet, the company statement of changes in equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 state of the Group's and of the Parent Company's affairs as at 30 September 2020 and of the Group's loss and the Parent Company's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates the directors' considerations over going concern, including the requirement to raise capital and obtaining further funds in the event the forecast timing of contract receipts is later than expected. As stated in note 1, these events or conditions, along with other matters as set out in note 1, indicate that a material uncertainty exists that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Independent auditor's report
for the period ended 30 September 2020 *(continued)*

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

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

Independent auditor's report
for the period ended 30 September 2020 *(continued)*

Responsibilities of Directors *(continued)*

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

Auditor's responsibilities for the audit of the financial statements

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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
James Fearon
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James Fearon (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Gatwick, UK
21 January 2022

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

Consolidated statement of profit or loss
for the period ended 30 September 2020

	Note	15 months ended 30 September 2020	Year ended 30 June 2019		
			Before exceptional items	Exceptional items (note 6)	Total
		£m	£m	£m	£m
Revenue	4	**20.6**	21.2	-	21.2
Raw materials and consumables used		**(7.8)**	(7.9)	-	(7.9)
Sub-contractors		**(3.0)**	(3.3)	-	(3.3)
Employee benefit expenses	5	**(12.9)**	(11.5)	(2.2)	(13.7)
Depreciation expense		**(1.1)**	(0.2)	-	(0.2)
Other external charges		**(7.2)**	(6.8)	-	(6.8)
(Increase)/decrease in impairment allowances	13	**(1.3)**	0.1	-	0.1
Exchange losses	6	**(1.3)**	-	-	-
Loss from operations	6	**(14.0)**	(8.4)	(2.2)	(10.6)
Profit on disposal of property	9	-	0.3	-	0.3
Finance expense	7	**(3.0)**	(0.5)	-	(0.5)
Finance income	7	**0.1**	0.1	-	0.1
Loss before tax		**(16.9)**	(8.5)	(2.2)	(10.7)
Tax (charge)/credit on loss for the period	8	**(3.4)**	0.4	-	0.4
Loss for the period		**(20.3)**	(8.1)	(2.2)	(10.3)

The notes on pages 23 to 61 form part of these financial statements.

Consolidated statement of total comprehensive income
for the period ended 30 September 2020

	Note	15 months ended 30 September 2020	Year ended 30 June 2019		
			Before exceptional items	Exceptional items (note 6)	Total
		£m	£m	£m	£m
Loss for the period		**(20.3)**	(8.1)	(2.2)	(10.3)
Other comprehensive (loss)/income:					
Items that will not be reclassified to profit or loss:					
Defined benefit pension scheme re-measurements	21	**(4.1)**	0.9	-	0.9
Tax relating to items that will not be reclassified	17	**-**	(0.3)	-	(0.3)
		(4.1)	0.6	-	0.6
Items that will or may be reclassified to profit or loss:					
Exchange gains/(losses) arising on translation of foreign operations		**0.8**	(0.1)	-	(0.1)
Other comprehensive (loss)/income for the period, net of tax		**(3.3)**	0.5	-	0.5
Total comprehensive loss		**(23.6)**	(7.6)	(2.2)	(9.8)

The notes on pages 23 to 61 form part of these financial statements.

Consolidated statement of financial position
as at 30 September 2020

(Company number 00929686)	Note	30 September 2020 £m	30 June 2019 (Restated) £m	30 June 2018 (Restated) £m
Assets				
Current assets				
Inventories	12	**0.2**	0.3	0.3
Trade and other receivables	13	**23.7**	21.3	30.1
Income tax receivable		**-**	0.7	0.1
Restricted access cash balances	15	**1.8**	0.6	4.7
Cash and cash equivalents	15	**1.1**	1.8	3.8
		26.8	24.7	39.0
Non-current assets				
Property, plant and equipment	9	**0.4**	0.6	2.1
Right of use assets	9	**5.3**	-	-
Intangible assets	10	**2.4**	2.5	2.5
Other receivables	13	**0.2**	0.5	0.5
Deferred tax assets	17	**6.9**	9.7	9.4
		15.2	13.3	14.5
Total assets		**42.0**	38.0	53.5

The notes on pages 23 to 61 form part of these financial statements.

Consolidated statement of financial position
as at 30 September 2020 *(continued)*

(Company number 00929686)	Note	30 September 2020 £m	30 June 2019 (Restated) £m	30 June 2019 (Restated) £m
Liabilities				
Current liabilities				
Trade and other payables	14	**19.0**	13.5	18.1
Borrowings	15	**3.0**	0.5	0.6
Income tax payable		**0.7**	0.7	0.9
Employee benefit liabilities	16	**0.1**	0.1	0.1
		22.8	14.8	19.7
Non-current liabilities				
Borrowings	15	**16.5**	-	-
Defined benefit pension liability	16	**17.0**	13.9	14.0
		33.5	13.9	14.0
Total liabilities		**56.3**	28.7	33.7
NET (LIABILITIES)/ASSETS		**(14.3)**	9.3	19.8
Issued capital and reserves attributable to owners of the parent				
Share capital	18	**30.0**	30.0	30.0
Revaluation reserve		**-**	-	1.3
Capital redemption reserve	19	**3.0**	3.0	3.0
Foreign exchange reserve	19	**6.0**	5.2	5.3
Retained loss	19	**(53.3)**	(28.9)	(19.8)
TOTAL EQUITY		**(14.3)**	9.3	19.8

The financial statements were approved and authorised for issue by the Board of Directors on 21 January 2022 and were signed on its behalf by:

P B Stevens
Director

The notes on pages 23 to 61 form part of these financial statements.

Consolidated statement of cash flows
for the period ended 30 September 2020

	Note	15 months ended 30 September 2020 £m	Year ended 30 June 2019 £m
Cash flows from operating activities			
Loss for the period		**(20.3)**	(10.3)
Adjustments for:			
Depreciation of property, plant and equipment	9	**1.1**	0.2
Increase/(reduction) in impairment allowances	13	**1.3**	(0.1)
Non-cash pension charge	21	**-**	2.2
Defined benefit pension scheme expenses	21	**1.4**	0.6
Profit on disposal of freehold property		**-**	(0.3)
Net finance expenses		**2.9**	0.4
Tax charge/(credit)		**3.4**	(0.4)
		(10.2)	(7.7)
(Increase)/decrease in trade and other receivables		**(3.4)**	7.9
Decrease in inventories		**0.1**	-
Increase/(decrease) in trade and other payables		**6.2**	(4.5)
Contributions to employee defined benefit schemes	21	**(2.8)**	(2.7)
Payments (to)/from restricted access cash accounts		**(1.2)**	4.3
Exchange differences		**0.8**	(0.4)
Cash outflow from operations		**(10.5)**	(3.1)
Income taxes received/(paid)		**0.1**	(0.4)
Net cash flows from operating activities		**(10.4)**	(3.5)
Investing activities			
Disposal of freehold property	9	**-**	1.8
Purchases of property, plant and equipment	9	**(0.1)**	(0.2)
Interest received		**0.2**	0.1
Net cash generated from investing activities		**0.1**	1.7
Financing activities			
Interest paid		**-**	(0.1)
Issue of loan notes		**8.9**	-
Debt issue costs paid		**(0.5)**	-
Capital element of lease repayments		**(0.6)**	-
Net cash generated from/(used in) financing activities		**7.8**	(0.1)
Net decrease in cash and cash equivalents		**(2.5)**	(1.9)
Cash and cash equivalents at beginning of year		**1.3**	3.2
Exchange gains/(losses) on cash and cash equivalents		**-**	-
Cash and cash equivalents at end of year	24	**(1.2)**	1.3

The notes on pages 23 to 61 form part of these financial statements.

Consolidated statement of changes in equity
for the period ended 30 September 2020

	Share capital £m	Revaluation reserve £m	Capital redemption reserve £m	Foreign exchange reserve £m	Retained losses £m	Total equity £m
1 July 2019	**30.0**	**-**	**3.0**	**5.2**	**(28.9)**	**9.3**
Comprehensive loss for the period						
Loss	**-**	**-**	**-**	**-**	**(20.3)**	**(20.3)**
Other comprehensive income/(loss)	**-**	**-**	**-**	**0.8**	**(4.1)**	**(3.3)**
30 September 2020	**30.0**	**-**	**3.0**	**6.0**	**(53.3)**	**(14.3)**
30 June 2018	30.0	1.3	3.0	5.3	(19.8)	19.8
Impact of adoption of IFRS 9	-	-	-	-	(0.7)	(0.7)
1 July 2018 as restated	30.0	1.3	3.0	5.3	(20.5)	19.1
Comprehensive loss for the year						
Loss	-	-	-	-	(10.3)	(10.3)
Transfer on disposal of property	-	(1.3)	-	-	1.3	-
Other comprehensive income/(loss)	-	-	-	(0.1)	0.6	0.5
30 June 2019	30.0	-	3.0	5.2	(28.9)	9.3

The notes on pages 23 to 61 form part of these financial statements.

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020

1 Accounting policies

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

The information set out in this report covers the 15 month period to 30 September 2020, with comparative figures relating to the year to 30 June 2019 and includes the results of the Company and its subsidiaries, together referred to as the Group.

Basis of preparation and statement of compliance

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

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

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

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

Judgements and key areas of estimation uncertainty

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

Basis of measurement

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

- Revalued property; and
- Net defined benefit liability.

Changes in accounting policies

IFRS 16: Leases ('IFRS 16') was issued in January 2016 and became effective for the Group on 1 July 2019. The standard requires lease agreements to be recognised in the consolidated statement of financial position by the inclusion of a 'right of use' asset and a loan obligation for the future payments required under each lease. Details of the impact of implementing this standard are given in the 'Leases' accounting policy note and also in note 20.

No new standards that are not yet effective have been early-adopted or are expected to have a material impact on the future consolidated statement of comprehensive income or on the consolidated statement of financial position.

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

1 Accounting policies *(continued)*

Basis of consolidation

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

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

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

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

Going concern

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

The Directors have prepared forecasts for the Group for a period of 12 months and subject to the completion of a successful capital raise as detailed below are confident that the Group and the Company will be able to continue in operation and meet its liabilities as they fall due for at least the next twelve months following approval of these financial statements. As such, the financial statements have been prepared on a going concern basis.

The Directors recognise that inherent within international contracting are uncertainties around the timing and receipt of significant contract sums. The Directors have forecast future expected receipts in respect of a number of signed international long-term contracts over the forecast period of 12 months from the date of signing these financial statements using their considerable experience of the industry; although the timing of the customer's funding for these signed contracts and therefore the timing of receiving related contracted amounts is uncertain. At January 2022, the construction phase of one such large contract is at the later stages of the client obtaining funding, which would give rise to an initial payment of $39.6m for which one of the conditions precedent is the completion of the capital raise as considered below. This provides additional visibility over the timing of contract receipts relating to this contract.

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

1 Accounting policies *(continued)*

Going concern *(continued)*

Covid-19 has certainly had a dramatic effect across the world and whilst the Group has been able to achieve new contract awards throughout this period, it has also further delayed large construction activity on certain contracts. However, as the world returns to normal, the Group is seeing an increase in demand for our services across all international territories, and a growing pipeline of opportunities to deliver. This has given rise to a capital raise initiative where the Group is seeking new permanent capital to both strengthen the balance sheet and help facilitate the growth expectations. Significant progress is being made and the Group are in discussions with interested investment funds to raise a minimum net £50m. The Group expects to close a new equity injection in the first quarter of 2022. In the interim period, the Group has obtained short term funding of £5.9m from a number of parties to meet short-term cash requirements as set out in note 26 and are in discussions to obtain further short-term funding of $2m. In respect of the loan notes, subsequent to the balance sheet date there have been covenant breaches, however the holders have provided confirmation that it is not their current intention to demand immediate repayment of amounts due and that they are supportive of the capital raise process. If the capital raise is delayed the Group will look at additional funding options to meet any further short-term requirements.

The Board and the main shareholder are confident that in light of progress to date on the capital raise, and support to date in meeting short-term cash requirements that this will be successfully concluded. However, the directors recognise this is not guaranteed. In view of the above, the successful completion of a capital raise and obtaining further funds in the event the forecast timing of contract receipts is later than expected are considered to be material uncertainties, which may cast significant doubt over the Group's and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company was unable to continue as a going concern.

Revenue

The Group recognises revenue when control over the service or product is transferred to the customer and revenue is measured at the fair value of the consideration received or receivable, excluding sales tax, rebates and discounts.

The majority of the Group's revenue arises under long-term contracts. The work specified with a contract may incorporate design, feasibility, procurement, construction and advisory services. Often these are integrated and the customer procures one complete package, but where a contract comprises distinct performance obligations, each is accounted for separately. The scope of works will often be subject to change during the course of a contract, such changes being considered on a case by case basis to determine whether they are a new separate performance obligation and accounted for as such, or part of the original works and dealt with on a cumulative catch up basis. Where the consideration is variable, revenue is only recognised when it is highly probable not to suffer a significant reversal in the future.

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

Where the outcome of a long-term construction contract cannot be assessed with reasonably certainty, revenue is recognised only to the extent of contract costs incurred where these are reasonably expected to be recoverable.Where it is probable that contract costs will exceed contract revenue, the expected loss is recognised as an expense immediately.

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

1 Accounting policies *(continued)*

Revenue *(continued)*

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

Goodwill

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

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

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

Impairment of assets

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

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows - its cash generating units ('CGUs').

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

Exceptional items

Material items of a non-recurring nature may be treated as exceptional if the Directors believe this disclosure is necessary to assist in the understanding of the financial performance of the Group.

Foreign currency

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation, in which case exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve along with the exchange differences arising on the retranslation of the foreign operation.

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

1 Accounting policies *(continued)*

Foreign currency *(continued)*

Exchange gains and losses arising on the retranslation of monetary financial assets are treated as a separate component of the change in fair value and recognised in profit or loss. Exchange gains and losses on non-monetary other comprehensive income ('OCI') financial assets form part of the overall gain or loss in OCI recognised in respect of that financial instrument.

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

Exchange differences recognised profit or loss in Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to OCI and accumulated in the foreign exchange reserve on consolidation. On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

Right of use assets and corresponding liabilities

IFRS 16 was adopted on 1 July 2019 without restatement of comparative figures. Details of the transitional adjustments that were made are set out in note 20. The following policies apply from the date of initial application, 1 July 2019.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for any lease payments made at or before commencement of the lease and for any initial direct costs incurred.

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

1 Accounting policies *(continued)*

Right of use assets and corresponding liabilities *(continued)*

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right of use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term. If the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right of use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right of use asset is adjusted to zero, any further reduction is recognised in profit or loss.

All leases are accounted for by recognising a right of use asset and a lease liability except for leases of low value assets and leases with a duration of 12 months or less. For these types of leases, the Group continues to recognise the lease payments as an operating expense on a straight line basis over the term of the lease.

Financial instruments

IFRS 9: *Financial Instruments* has replaced IAS 39: *Financial Instruments: Recognition and Measurement*. The only significant impact of the adoption of this new standard in the current year is that the categorisation of the group's financial assets and the method by which the group calculates impairment losses on those assets have changed, as explained below.

a) Financial assets classified as 'amortised cost'

Financial assets are categorised based on the purpose for which they were acquired. All of the group's financial assets are currently categorised as and measured at 'amortised cost'. They comprise trade and other receivables, restricted cash and cash and cash equivalents in the consolidated statement of financial position.

Recognition and measurement

These assets arise principally from the provision of goods to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold the assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost (using the effective interest rate method where the time value of money is significant), less provision for impairment.

Impairment

Impairment provisions for trade receivables and contract assets are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. The resultant probability percentage is then multiplied by the amount of the expected credit loss arising from default to determine the lifetime expected credit loss. On confirmation that any trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

1 Accounting policies *(continued)*

Financial instruments *(continued)*

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the consolidated income statement to the extent that the carrying value of the relevant asset does not exceed its amortised cost at the reversal date.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at bank and short-term deposits with an original maturity of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdrafts. For the purpose of the consolidated statement of financial position, cash deposits and overdrafts are presented separately.

Restricted cash

Collateralised and restricted cash balances are held as surety for the provision of overdraft and guarantee facilities from banks and under contractual arrangements with clients, and are disclosed separately from cash and cash equivalents in the consolidated statement of financial position.

b) Financial liabilities classified as 'other financial liabilities'

Financial liabilities are classified into one of two categories, depending on the purpose for which the liability was acquired. The group has no financial liabilities classified as 'fair value through profit or loss' with all its financial liabilities currently being categorised as 'other financial liabilities'.

The group's accounting policies for each significant type of financial liability within this category are as follows:

Bank and other long-term interest bearing borrowings

These borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the relevant financial instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that the interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purpose of each financial liability, interest expense includes any initial transaction costs as well as any interest or coupon payable while the liability is outstanding.

Trade payables and other short-term monetary liabilities

Trade payables and other short-term monetary liabilities are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method.

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

1 Accounting policies *(continued)*

Financial instruments *(continued)*

c) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset when a group entity has a legally enforceable right to offset the recognised amounts and intends either to settle these on a net basis or to realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and also in the event of default, insolvency or winding up of the group entity or the relevant counterparty.

Employee benefits

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

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

The difference between the fair value of the assets held in the BRASS scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the consolidated statement of financial position as a pension liability. The pension scheme liability is recorded net of any related deferred tax balance, with the recognition of any deferred tax asset following the principles described in the deferred tax accounting policy.

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

Deferred taxation

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

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

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised. The amount of any asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

1 Accounting policies *(continued)*

Deferred taxation *(continued)*

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

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

Property, plant and equipment

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

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

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

Freehold buildings	-	4% per annum straight line
Right of use land and buildings	-	Over the lease term
Plant and equipment	-	8% - 50% per annum straight line
Fixtures and fittings (including motor vehicles)	-	20% - 33% per annum straight line

Software costs

Software costs that are classified as intangible fixed assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives at a rate of 20% on a straight line basis.

Inventories

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

Pre-award costs

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

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

1 Accounting policies *(continued)*

Research and development

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold
- adequate resources are available to complete the development
- there is an intention to complete and sell the product
- the Group is able to sell the product
- sale of the product will generate future economic benefits, and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is included within the consolidated statement of comprehensive income.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated statement of comprehensive income as incurred.

Provisions

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

Restatement of comparatives

During the year, management have identified that certain capitalised software development costs that relate primarily to the development of the Group's ERP system were incorrectly classified as tangible fixed assets in prior periods. As such an adjustment has been made to reclassify these costs of £1.2m at 1 July 2018 and 30 June 2019 to intangible fixed assets with no impact on non-current assets. There has been no impact to prior year profit and loss or net assets as a result of these adjustments.

2 Critical accounting estimates and judgements

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

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

2 Critical accounting estimates and judgements *(continued)*

Recognition of profits and losses on long term contracts

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

Loss allowances against trade and other receivables

The Directors make judgements regarding the level of loss allowance required against trade receivables and other contract assets. The Group's customers are principally based in emerging markets and the complex nature of the Group's long-term contracts can mean that collection of trade debtors is subject to local financing arrangements and to negotiations regarding the final completion of a contract. The Group's Directors are closely involved in these negotiations and exercise judgement based on historical experience and a detailed knowledge of the contractual terms. Further details of the estimates made are set out in note 13.

Pension benefits

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

Deferred tax

The amount of deferred tax recognised is dependent on judgements about the realisation or settlement of assets and liabilities. A deferred tax asset is recognised only to the extent that, in the view of the Directors, it is probable that future taxable profits will be available against which the asset can be utilised. The Directors exercise judgement over the likelihood and timing of future profitability, from which estimates are made to establish whether a deferred tax balance should be recognised. The key judgement made is over the likelihood and timing of specific future contract profits, and in exercising this judgement, the Directors have considered significant signed contracts which have already been awarded to the Group or are considered highly likely to be awarded to the Group.

Right of use assets/liabilities

The determination of the incremental borrowing rate used to measure lease liabilities is subject to management judgement. These rates are assessed at each financial period end and are calculated taking in to account factors reflecting current market conditions in the territories where the assets/liabilities are located.

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

3 Financial instruments - risk management

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

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

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

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

(i) Principal financial instruments

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

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

(ii) Financial instruments by category

	September 2020 £m	June 2019 £m
Financial assets – loans and receivables		
Cash and bank balances including restricted cash	**2.9**	2.4
Trade and other receivables	**23.9**	21.0
Total financial assets - at amortised cost	**26.8**	23.4
Financial liabilities		
Trade and other payables	**17.5**	12.6
Borrowings:		
Bank overdrafts	**2.3**	0.5
Lease liabilities (current and non-current)	**6.1**	-
Loan notes	**11.1**	-
Total financial liabilities – at amortised cost	**37.0**	13.1

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

3 Financial instruments - risk management *(continued)*

(iii) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, trade and other payables, and short-term borrowings. Due to their short-term nature, the carrying value of these financial instruments approximate to their fair values.

(iv) Financial instruments measured at fair value

There were no financial instruments measured at fair value.

(v) General objectives, policies and processes

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

Large contract credit risk

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

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

Foreign currency risk

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

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

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

3 Financial instruments - risk management *(continued)*

Foreign currency risk *(continued)*

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

	Functional currency of individual entity									
	Sterling		US Dollar		Euro		Other		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Net financial (liabilities)/assets										
Sterling	**(9.4)**	1.5	-	-	-	(0.1)	-	-	**(9.4)**	1.4
US Dollar	**(0.8)**	(0.1)	**(0.3)**	0.6	-	-	**0.4**	-	**(0.7)**	0.5
Euro	**(5.7)**	2.5	-	-	**0.2**	0.4	**2.7**	2.7	**(2.8)**	5.6
Other	**1.6**	0.2	-	-	-	-	**1.1**	3.4	**2.7**	3.6
Total net exposure	**(14.3)**	4.1	**(0.3)**	0.6	**0.2**	0.3	**4.2**	6.1	**(10.2)**	11.1

The effect of a 5% strengthening of the Euro against Sterling at the reporting date on the Euro denominated net financial assets carried at that date would, all other variables held constant, have resulted in an increase in losses for the period and an increase in net liabilities of £0.2m (2019 : increase of £0.1m). A 5% weakening in the exchange rate would, on the same basis, have decreased losses and decreased net liabilities by £0.1m (2019: decrease of £0.1m).

Capital

The Group considers its capital to comprise its ordinary share capital, capital redemption reserve, foreign exchange reserve and accumulated retained losses.

The Group's objective when managing its capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for the shareholders and benefits for other stakeholders. The Group's strategy is to maintain a gearing ratio that balances risks and returns at an acceptable level and to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs.

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

4 Revenue from contracts with customers

Disaggregation of revenue

The Group has disaggregated revenue into various categories in the following table in order to provide additional information on the nature, amount, timing and uncertainties of revenue flows.

	15 months ended September 2020 £m	Year ended June 2019 £m
Primary geographical markets		
Europe & North Africa	**5.1**	7.0
Americas	**9.3**	5.9
Middle East	**1.4**	6.2
Africa	**4.8**	2.0
Asia	**-**	0.1
	20.6	21.2
Timing of transfer of goods and services		
Contract revenue – recognised over time	**16.9**	17.7
Operation and maintenance and other services – recognised at a point in time	**3.7**	3.5
	20.6	21.2

Significant changes in the contract asset (excluding trade receivables) and contract liability balances during the period are analysed as follows:

	30 September 2020		30 June 2019	
	Contract assets £m	**Contract liabilities £m**	Contract assets £m	Contract liabilities £m
At 1 July	**9.0**	**(3.8)**	9.2	(6.9)
Reallocations from other receivables/(payables)	**0.4**	**-**	0.5	(1.6)
Transfers to trade receivables	**(2.0)**	**-**	(3.6)	0.8
Revenue booked in excess of cash received	**5.2**	**-**	2.7	-
Increase in impairment allowances	**(0.7)**	**-**	-	-
Amount included that was recognised in revenue	**-**	**6.9**	-	4.1
Cash received in advance of performance	**-**	**(9.7)**	-	(0.2)
Exchange rate movement	**(0.1)**	**(0.1)**	0.2	-
At 30 September	**11.8**	**(6.7)**	9.0	(3.8)

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

4 Revenue from contracts with customers *(continued)*

Remaining performance obligations

At 30 September 2020, the Group had unsatisfied performance obligations resulting from long term contracts amounting to £1,230m (2019: £1,256m). Due mainly to the delays caused by the global COVID-19 pandemic, only approximately 1% (2019: 1%) of the transaction price allocated to the unsatisfied contracts at 30 September 2020 is expected to be recognised as revenue during the next reporting period. The remainder is expected to be recognised in the periods up to 30 September 2024.

5 Employee benefit expenses

	15 months ended September 2020 £m	Year ended June 2019 £m
Employee benefit expenses (including Directors of the Group) comprise:		
Wages and salaries	**10.3**	9.8
Contributions to defined contribution pension scheme	**0.5**	0.4
Defined benefit pension scheme administrative costs	**1.4**	0.6
Social security contributions and similar taxes	**0.7**	0.7
Exceptional item – GMP equalisation charge (see below)	**-**	2.2
Total expense (including exceptional item in prior year)	**12.9**	13.7

In the previous year, an exceptional cost of £2.2m was charged in relation to the equalisation of guaranteed minimum pensions ('GMP') between male and female employees. This arose as a result of a High Court verdict which set a precedent such that GMPs need to be equalised. The potential cost of this was estimated by the pension scheme actuary.

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

	15 months ended September 2020 Number	Year ended June 2019 Number
United Kingdom	**64**	68
Africa	**120**	104
Far East	**7**	15
Middle East	**2**	4
Mainland Europe	**5**	4
Americas	**82**	83
	280	278

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

5 Employee benefit expenses *(continued)*

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

	15 months ended September 2020 £000	Year ended June 2019 £000
Salaries	**1,189**	1,050
Other long-term benefits	**13**	9
Defined contribution pension scheme costs	**100**	76
	1,302	1,135

The highest paid director received aggregate emoluments for the 15 month period of £378,000 (year ended June 2019: £328,000). The highest paid director did not receive any benefits relating to pension schemes (2019: £nil).

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

	15 months ended September 2020 £000	Year ended June 2019 £000
Salaries	**2,126**	1,990
Other long-term benefits	**36**	26
Defined contribution pension scheme costs	**183**	145
	2,345	2,161

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

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

6 Loss from operations and exceptional items

Loss from operations includes:

	15 months ended September 2020 £m	Year ended June 2019 £m
Fees payable to the Company's auditor for the audit of the parent company and consolidated financial statements	**0.1**	0.1
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	**0.1**	0.1
Pre-award costs expensed	**0.4**	0.6
Operating leases – property leases (prior year only)	**-**	0.9
Increase/(decrease) in impairment allowances	**1.3**	(0.1)
Exchange losses	**1.3**	-

Exceptional items in the prior year comprise a £2.2m charge relating to the equalisation of guaranteed minimum pensions (see note 5 above).

7 Finance income and expense

Recognised in profit or loss

	15 months ended September 2020 £m	Year ended June 2019 £m
Finance income		
Interest received on bank deposits	**0.1**	0.1
Total finance income	**0.1**	0.1
Finance expense		
Interest on the net defined benefit liability	**(0.4)**	(0.4)
Interest on bank overdrafts	**(0.2)**	(0.1)
Interest on loan notes (see note 15)	**(2.1)**	-
Amortisation of loan issue costs (see note 15)	**(0.1)**	-
Interest on leases (see note 20)	**(0.2)**	-
Total finance expense	**(3.0)**	(0.5)
Net finance expense recognised in profit or loss	**(2.9)**	(0.4)

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

8 Tax expense/credit

	15 months ended September 2020 £m	Year ended June 2019 £m
Current tax (expense)/credit		
Overseas tax on losses for the year	**(0.1)**	(0.2)
Adjustment for (under)/over provision in prior years	**(0.5)**	0.3
Total current tax (expense)/credit	**(0.6)**	0.1
Deferred tax (charge)/credit		
Origination and reversal of temporary differences (note 17)	**(2.8)**	0.3
Total deferred tax (charge)/credit	**(2.8)**	0.3
Total tax (charge)/credit for the year	**(3.4)**	0.4

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

	15 months ended September 2020 £m	Year ended June 2019 £m
Loss for the period	**(20.3)**	(10.3)
Income tax charge/(credit) (including deferred taxation)	**3.4**	(0.4)
Loss before income taxes	**(16.9)**	(10.7)
Tax credit using the UK tax rate of 19% (2019: 19%)	**3.2**	2.0
Effects of:		
Expenses not deductible for tax purposes	**(0.5)**	(0.2)
Unutilised tax losses	**(3.1)**	(1.4)
Movement in deferred tax assets	**(2.8)**	-
Different tax rates applied in overseas jurisdictions	**0.1**	(0.2)
Adjustments in respect of prior periods	**(0.5)**	0.3
Other items	**0.2**	(0.1)
Total tax (charge)/credit	**(3.4)**	0.4

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

9 Property, plant and equipment and right of use assets

	Freehold land and buildings £m	Right of use land and buildings £m	Plant and equipment £m	Fixtures and fittings £m	Total £m
Cost or valuation					
At 1 July 2018	2.1	-	1.6	3.8	7.5
Additions	-	-	0.1	0.1	0.2
Disposals	(1.7)	-	(0.1)	(0.3)	(2.1)
At 30 June 2019	0.4	-	1.6	3.6	5.6
Adjustment on transition to IFRS 16	-	**6.0**	-	-	**6.0**
Additions	-	-	**0.1**	-	**0.1**
Foreign exchange movements	-	-	**(0.1)**	-	**(0.1)**
At 30 September 2020	**0.4**	**6.0**	**1.6**	**3.6**	**11.6**
Accumulated depreciation					
At 1 July 2018	0.6	-	1.4	3.4	5.4
Depreciation	-	-	0.1	0.1	0.2
Disposals	(0.2)	-	(0.1)	(0.3)	(0.6)
At 30 June 2019	0.4	-	1.4	3.2	5.0
Depreciation	-	**0.7**	**0.1**	**0.2**	**1.0**
Foreign exchange movements	-	-	**(0.1)**	-	**(0.1)**
At 30 September 2020	**0.4**	**0.7**	**1.4**	**3.4**	**5.9**
Net book value					
At 30 September 2020	-	**5.3**	**0.2**	**0.2**	**5.7**
At 30 June 2019	-	-	0.2	0.4	0.6
At 30 June 2018	1.5	-	0.2	0.4	2.1

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

9 Property, plant and equipment and right of use assets *(continued)*

In the prior year, the Group's Malaysian subsidiary sold its freehold property in Kuala Lumpur for a cash sale price of RM9.7m (£1.8m). The carrying value of the property at disposal was RM7.7m (£1.5m). After expenses of sale, the net profit on disposal was £0.3m and this was included in the prior year consolidated statement of profit and loss. The revaluation reserve of £1.3m relating to the above property was transferred from revaluation reserve to realised retained profit during the prior year.

10 Intangible assets

	Goodwill £m	Software costs £m	Total £m
Cost			
At 30 June 2018, 30 June 2019 and 30 September 2020	**2.3**	**1.2**	**3.5**
Accumulated amortisation and impairment			
At 30 June 2018 and 30 June 2019	1.0	-	1.0
Amortisation	-	**0.1**	**0.1**
At 30 September 2020	**1.0**	**0.1**	**1.1**
Net book value			
At 30 September 2020	**1.3**	**1.1**	**2.4**
At 30 June 2018 and 30 June 2019	1.3	1.2	2.5

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The impairment review requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of those future cash flows. The carrying amount of goodwill is allocated to one cash generating unit ('CGU') in the Americas. The recoverable amount for this CGU has been determined from the value in use calculations based on cash flow projections from approved budgets covering a five year period to 2025.

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

No impairment was assessed as being required in the period (2019: £nil).

Software costs of £1.2m relate to the development of the Group's new integrated IT system which became fully operational on 1 January 2020 and has been depreciated from that date.

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

11 Subsidiaries

A full list of subsidiary undertakings is set out in note 27 to the consolidated financial statements. All subsidiary undertakings are included in these consolidated financial statements.

12 Inventories

	September 2020 £m	June 2019 £m
Raw materials and consumables	**0.2**	0.3

13 Trade and other receivables

	September 2020 £m	June 2019 £m
Trade receivables	**12.5**	11.0
Less: provision for impairment of trade receivables	**(2.8)**	(2.5)
Trade receivables - net	**9.7**	8.5
Contract assets net of allowances (see note 4)	**11.8**	9.0
Prepayments	**0.5**	0.8
Other receivables	**1.9**	3.5
Total financial assets other than cash and cash equivalents classified as receivables	**23.9**	21.8
Less: non-current portion – other receivables	**(0.2)**	(0.5)
Current portion	**23.7**	21.3

Allowances for losses on trade and other contract receivables

The Group focusses its contract activities on Government backed, public sector clients, who demonstrate zero or very low credit risk status. Contracts with other customers will only be entered into after a satisfactory credit check to assess the customer's credit quality. Where possible our construction activities are externally financed and able to be drawn down and recovered directly from committed facilities with lending institutions.

To measure expected credit losses, trade receivables and contract assets have been grouped based on shared risk characteristics. **Group 1** comprises Government backed, public sector clients. Risk factors are assessed on a project-by-project basis to arrive at a measure of expected credit losses for this group. Such risk factors include political risk associated with the territory the contract is based in, government/country risk and consideration of the parties involved in the contract, including financing parties. **Group 2** comprises private sector businesses but where additional guarantees, security or bonds exist to reduce overall credit risk. **Group 3** comprises all other private company clients. Expected credit losses for group 3 are calculated based on the ageing of the receivables.

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

13 Trade and other receivables *(continued)*

Several contract receivables relating to contract variation claims in one specific territory have been excluded from the grouping and shown as an 'ungrouped' total. These contracts have significant provisions against them and are subject to negotiation with territory Federal Ministries.

Loss rates will be adjusted to reflect current and forward-looking information on factors that might affect the ability of customers to settle the receivables.

On this basis, the impairment allowance as at 30 September 2020 and 30 June 2019 was determined as follows for both trade receivables and other contract assets:

30 September 2020	**£m**
Group 1 – *expected loss rate 13.3%*	
Trade receivables	6.2
Contract assets	9.8
Other contract receivables	-
Loss allowance	**2.1**
Group 2 - *expected loss rate 2.0%*	
Trade receivables	3.5
Loss allowance	**0.1**

Group 3	Up to 90 days past due	91 to 180 days past due	181 to 365 days past due	Over 1 year past due	Total
Expected loss rate	*0.0%*	*5.0%*	*10.0%*	*25.0%*	
	£m	£m	£m	£m	£m
Trade receivables	0.2	0.2	0.3	0.1	0.8
Contract assets	2.0	1.0	-	-	3.0
Loss allowance	**-**	**0.1**	**0.0**	**0.0**	**0.1**

Ungrouped items – *expected loss rate 80.5%*	
Trade receivables	2.0
Contract assets	0.3
Loss allowance	**1.8**
Totals	
Trade receivables	12.5
Contract assets	13.1
Other contract receivables	-
Total loss allowance	**4.1**

£2.8m of the total loss allowance of £4.1m at 30 September 2020 is allocated against trade receivables, and the remaining £1.3m loss allowance is allocated against contract assets.

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

13 Trade and other receivables *(continued)*

30 June 2019	**£m**
Group 1 – *expected loss rate 6.5%*	
Trade receivables	4.3
Contract assets	7.7
Other contract receivables	0.4
Loss allowance	**0.8**
Group 2 - *expected loss rate 2.0%*	
Trade receivables	3.6
Contract assets	-
Loss allowance	**0.1**

Group 3	Up to 90 days past due	91 to 180 days past due	181 to 365 days past due	Over 1 year past due	Total
Expected loss rate	*0.0%*	*5.0%*	*10.0%*	*25.0%*	
	£m	£m	£m	£m	£m
Trade receivables	0.4	0.3	0.1	0.1	0.9
Contract assets	1.5	-	-	-	1.5
Loss allowance	**-**	**0.0**	**0.0**	**0.0**	**0.1**

Ungrouped items – *expected loss rate 80.7%*	
Trade receivables	2.2
Contract assets	0.3
Loss allowance	**2.0**
Totals	
Trade receivables	11.0
Contract assets	9.5
Other contract receivables	0.4
Total loss allowance	**3.0**

£2.5m of the total loss allowance of £3.0m at 30 June 2019 is allocated against trade receivables, and the remaining £0.5m loss allowance is allocated against contract assets.

Movements in the loss allowance for trade and other receivables are included in the consolidated statement of profit and loss.

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

13 Trade and other receivables *(continued)*

Movements in the loss allowances for trade receivables and contract assets are as follows:

	September 2020 £m	June 2019 £m
At 1 July	**(3.0)**	(3.1)
Movement in impairment allowances during the year	**(1.3)**	0.1
Effect of movements in foreign currency exchange rates	**0.2**	-
At 30 September	**(4.1)**	(3.0)

14 Trade and other payables

	September 2020 £m	June 2019 £m
Trade payables	**5.1**	3.6
Contract liabilities (see note 4)	**6.7**	3.8
Other payables	**3.5**	2.3
Accruals	**2.2**	2.9
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	**17.5**	12.6
Tax and social security payments	**1.5**	0.9
Total trade and other payables	**19.0**	13.5

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

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

15 Cash and borrowings

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

	September 2020 £m	June 2019 £m
Restricted access cash balances		
Held in escrow to support bonding facilities	**1.3**	0.4
Held on deposit as collateral for bank facilities	**0.5**	0.2
Total restricted access cash balances	**1.8**	0.6
Cash and cash equivalents		
Unrestricted bank and cash balances	**1.1**	1.8
Cash and cash equivalents	**1.1**	1.8

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

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

	September 2020 £m	June 2019 £m
Current		
Overdrafts	**2.3**	0.5
Lease creditors (note 20)	**0.7**	-
	3.0	0.5
Non-current		
Lease creditors (note 20)	**5.4**	-
Loan notes net of issue costs of £0.4m	**11.1**	-
	16.5	-

A subsidiary undertaking has a one year, £2m overdraft facility with Santander Bank plc. The amount borrowed under this facility at 30 September 2020 was £1,101,000. The overdraft is repayable on demand and is secured by a floating charge over the assets of the subsidiary undertaking. The ultimate parent undertaking has provided a guarantee to the lender as has the principal shareholder of the parent undertaking. Other overdrafts represent balances with Moroccan and Algerian banks which are unsecured and repayable on demand.

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

15 Cash and borrowings *(continued)*

On 13 January 2020, a subsidiary undertaking entered into an agreement with GLAS Trust Corporation Limited and Sustainable Growth Management GP II S.a.r.l. Under the terms of the agreement, the subsidiary undertaking issued loan notes for a total value of €10,500,000 and 3,572,184 warrants with a maturity of three years. The loan notes carry a nominal interest rate of 6% payable half yearly. On maturity the face value of the loan notes is required to be repaid together with a bullet repayment amounting to 150% of the face value of the loan notes less cumulative interest. The bullet repayment comprises a redemption premium of 65% with the balance relating to a liability to repurchase the warrants. The group has the ability to prepay the loan notes at any point in time and there is also a mandatory requirement to prepay 50% of the loan notes in the event that either an advance is received from one of the subsidiary undertaking's specific contracts or group cash balances exceed a certain level. These criteria have not been met at the balance sheet date or subsequently. In the event that there is an early prepayment the relevant proportion of the loan notes repaid will also require a bullet repayment of 150% of the face value of the loan notes less cumulative interest to the date of early repayment. As it is not possible to reliably estimate whether there will be any mandatory redemption or its timing and the associated cashflows, the effective interest rate applied under the amortised cost method is determined by reference to the contractual cash flows over the full contractual term including the bullet repayments.

In the event of a corporate event (change of control, IPO or sale) or event of default in the form of non-repayment of principal, interest or other amounts the loan notes and warrants are convertible at the option of the holders to ordinary shares. Subsequent to the year-end certain covenants were breached including non-repayment of interest, however the holders have confirmed that although they reserve their rights to demand repayment it is not their current intention to do so (see note 1).

16 Employee benefit liabilities

Liabilities for employee benefits comprise:

	September 2020 £m	**June 2019 £m**
Defined benefit scheme (note 21)	**17.0**	13.9
Defined contribution scheme	**0.1**	0.1
	17.1	14.0
Categorised as:		
Current liabilities - accruals	**0.1**	0.1
Non-current liabilities	**17.0**	13.9
	17.1	14.0

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

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

17 Deferred tax

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

	September 2020 £m	June 2019 £m
Deferred tax asset at start of year	**12.5**	12.5
Recognised in profit and loss:		
Tax (charge)/credit	**(2.8)**	0.3
Recognised in other comprehensive income:		
Tax relating to defined benefit pension scheme re-measurement	**-**	(0.3)
Deferred tax asset at end of the period	**9.7**	12.5

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

	September 2020 £m	June 2019 £m
Recognised in non-current assets	**6.9**	9.7
Deducted from gross pension deficit provision (note 21)	**2.8**	2.8
Deferred tax asset at 30 September	**9.7**	12.5

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

	30 September 2020		30 June 2019	
	Recognised £m	**Unrecognised £m**	Recognised £m	Unrecognised £m
Employee benefit pension deficit	**2.8**	**0.9**	2.8	-
Accelerated capital allowances	**-**	**1.0**	0.8	0.2
Other temporary and deductible differences	**-**	**9.7**	-	9.2
Available losses	**6.9**	**16.6**	8.9	14.2
	9.7	**28.2**	12.5	23.6

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

17 Deferred tax *(continued)*

A deferred tax asset decrease of £2.8m (2019: £nil) was recognised in the period. A charge of £2.8m (2019: credit of £0.3m) was recognised in the consolidated statement of profit or loss, offset by a credit of £nil (2019: charge of £0.3m) recognised in other comprehensive income.

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

18 Share capital

	Authorised, issued and fully paid			
	September 2020 Number	**September 2020 £m**	**June 2019 Number**	**June 2019 £m**
Ordinary shares of 25p each	**120,000,000**	**30.0**	120,000,000	30.0

19 Reserves

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

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

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

20 Leases

The movement in the liability for the Group's leased assets is as follows:

	15 months to September 2020 £m
Amount recognised on transition to IFRS 16	6.7
Lease payments	(0.8)
Finance charge	0.2
Lease liability at end of the period	6.1

The Group occupies a number of leased properties. The terms of property leases vary from country to country, although they all tend to be tenant repairing with periodic rent reviews. There are only three property leases with terms of longer than one year. The repayment profile of these leases is as follows:

	Within 1 year £m	1 – 2 years £m	2 – 5 years £m	Over 5 years £m	**Total £m**
Lease payments	0.7	0.7	2.1	3.9	**7.4**
Finance charges	-	(0.1)	(0.3)	(0.9)	**(1.3)**
Net present value	**0.7**	**0.6**	**1.8**	**3.0**	**6.1**

On implementation of IFRS 16, the modified retrospective approach was adopted, where leases were measured at the date of initial application (1 July 2019) using the remaining lease payments and the incremental borrowing rate at that date. Practical expedients were taken to exclude leases with less than one year remaining at 1 July 2019 and for low value leases. The Group recognised the following adjustment in the balance sheet at 1 July 2019:

	Property, plant & equipment £m	Lease liabilities £m	Current liabilities: deferred rent £m	Current assets: rent pre-payment £m	**Total £m**
At 30 June 2019	1.8	-	(0.6)	-	**1.2**
Implementation of IFRS 16	6.0	(6.7)	0.6	0.1	-
At 1 July 2019	**7.8**	**(6.7)**	**-**	**0.1**	**1.2**

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

20 Leases *(continued)*

	Total £m
Minimum operating lease commitment at 30 June 2019	8.3
Small and short-term leases not included under IFRS 16	(0.1)
Effect of discounting to present value	(1.5)
Lease liability at 1 July 2019	6.7

The total future value of minimum lease payments is due as follows (2019 disclosure):

	2019 £m
Not later than one year	**0.7**
Later than one year and not later than five years	**2.9**
Later than five years	**4.7**
	8.3

21 Employee benefit pension schemes

Defined contribution scheme

The Group operates a defined contribution scheme for employees of Biwater Holdings Limited and Biwater International Limited, the assets of which are held separately from those of the Group in an independently administered fund. Each participating employer pays age-related contributions in respect of members of the scheme. These contributions are charged to the consolidated statement of profit or loss in the period in which they are made. The charge for the current period was £0.5m (2019: £0.4m).

Defined benefit scheme

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

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

21 Employee benefit pension schemes *(continued)*

Defined benefit scheme *(continued)*

The Main Section of BRASS is a multi-employer funded defined benefit scheme which offers both pensions in retirement and death benefits to members. The residual liability remains with Biwater Holdings Limited and its subsidiary, Biwater International Limited. Pension benefits are related to the member's final salary at retirement and their length of service. As the scheme is closed, no further pension benefits will accrue. Contributions to the scheme for the year beginning 1 October 2020 are expected to be approximately £1.0m.

An IAS 19 valuation of the scheme was carried out as at 30 September 2020 (and at June 2019) by a qualified independent actuary. The major assumptions used by the actuary in determining the present value of the pension obligation were (in nominal terms) as follows:

	September 2020	**June 2019**
Discount rate	**1.50%**	2.20%
Inflation assumption (RPI)	**2.90%**	3.15%
Rate of increase in salaries	**2.90%**	3.15%
RPI(3,5) pension increases	**3.35%**	3.45%
Cash commutation	**Maximum allowable**	Maximum allowable
Assumed life expectancies on retirement at age 65 are:		
Retiring today - males	**21.9**	21.6
Retiring today - females	**24.2**	23.8
Retiring in 20 years time - males	**22.9**	22.6
Retiring in 20 years time – females	**25.3**	25.0

The expected future lifetime of a male pensioner aged 65 is 21.9 years. For a future male pensioner retiring in 20 years, this increases to 22.9 years.

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

21 Employee benefit pension schemes *(continued)*

The assets in the scheme are analysed as follows:

	September 2020 £m	June 2019 £m
Property	-	6.7
Corporate Bonds	**9.6**	8.4
Government Bonds	**44.6**	4.4
Cash	**4.9**	3.1
LDI	**9.7**	10.9
Diversified Growth Funds	-	12.2
Equity Linked Bond Funds	-	35.8
Multi-Sector Credit	**19.8**	-
Fair value of scheme assets at the period end	**88.6**	81.5
The actual return on assets over the period was:	**11.0**	7.1

	September 2020 £m	June 2019 £m
Present value of funded obligations	**(108.4)**	(98.2)
Fair value of scheme assets	**88.6**	81.5
Deficit in funded scheme	**(19.8)**	(16.7)
Related deferred tax asset recognised	**2.8**	2.8
Net liability in statement of financial position	**(17.0)**	(13.9)

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

No property scheme assets were occupied by the Group during the period.

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

21 Employee benefit pension schemes *(continued)*

***Defined benefit scheme** (continued)*

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

	15 months to September 2020 £m	Year to June 2019 £m
Benefit obligation at beginning of year	**98.2**	93.4
Interest cost	**2.6**	2.3
Net re-measurement losses – financial	**9.4**	4.6
Net re-measurement gains – demographic	**1.7**	(0.4)
Net re-measurement losses - experience	**1.8**	0.1
Benefits paid	**(5.3)**	(4.0)
Past service cost	**-**	2.2
Benefit obligation at end of year	**108.4**	98.2

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

	15 months to September 2020 £m	Year to June 2019 £m
Fair value of scheme assets at beginning of year	**81.5**	76.3
Interest income on scheme assets	**2.2**	1.9
Return on assets, excluding interest income	**8.8**	5.2
Contributions by employers	**2.8**	2.7
Benefits paid	**(5.3)**	(4.0)
Scheme administrative costs	**(1.4)**	(0.6)
Fair value of scheme assets at end of year	**88.6**	81.5

Amounts recognised in profit or loss:

	15 months to September 2020 £m	Year to June 2019 £m
Service cost – scheme administrative costs	**1.4**	0.6
Service cost – past service cost	**-**	2.2
Net interest on the net defined benefit liability	**0.4**	0.4
Total expense	**1.8**	3.2

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

21 Employee benefit pension schemes *(continued)*

***Defined benefit scheme** (continued)*

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

	15 months to September 2020 £m	Year to June 2019 £m
Net re-measurement – financial	**9.4**	4.6
Net re-measurement – demographic	**1.7**	(0.4)
Net re-measurement – experience	**1.8**	0.1
Return on assets, excluding interest income	**(8.8)**	(5.2)
Total re-measurement of the net defined benefit liability – charge/(credit)	**4.1**	(0.9)

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

Increase/(decrease) in scheme liabilities	**September 2020 £m**	**June 2019 £m**
Discount rate – increase by 0.25%	**(3.7)**	(3.3)
Rate of inflation (RPI) – increase by 0.25%	**0.4**	0.5
Assumed life expectancy at 65 – increase by 1 year	**5.5**	4.6

22 Related party transactions

Details of directors' remuneration are given in note 5.

Sir Adrian White, the ultimate controlling party of the Group, is a director of the Company. During the period to September 2020, the parent company paid costs on his behalf amounting to £38,000 (2019: £9,000), leaving a balance owing to the parent company for out of pocket expenses of £73,000 at 30 September 2020. During the period, he repaid short-term loans of £415,000 from the parent company and made a loan to the company of £975,000. This remained outstanding at 30 September 2020.

Mr AG White and Mr RB White, who were both directors of the parent company during the financial year, each made loans to the parent company of £87,500. These remained outstanding at 30 September 2020.

Mr M Allouani, a Biwater subsidiary director, has made a loan to Biwater Algeria. At 30 September 2020 the amount outstanding was £82,000 (2019: £82,000). This loan remains outstanding at the date of signing these financial statements.

JL Wick, a director of the Company, is a director of Sustainable Growth Management GP II S.a.r.l and other companies associated with loan notes issued to a subsidiary undertaking in January 2020 which have a carrying value of £11.0m at 30 September 2020 (see note 15).

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

23 Contingent liabilities

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

Other contingent liabilities exist:
a) Under indemnities and guarantees to banks and underwriters for contract bonds in the normal course of business amounting to £6.7m (2019: £5.4m). Of this figure £1.3m (2019: £0.4m) is held as cash collateral and is reported in the cash balances of the Group.
b) Under claims made against the Group in the normal course of business arising from disputes on long-term contracts and in respect of contractual claims for liquidated damages. Consideration is given by the Directors to all such claims at each reporting date and provision is made if any liability is considered likely.

24 Note supporting the consolidated statement of cash flows

Net borrowings/cash and cash equivalents for the purposes of the statement of cash flows comprises:

	September 2020 £m	**June 2019 £m**
Unrestricted bank and cash balances (note 15)	**1.1**	1.8
Bank overdrafts (note 15)	**(2.3)**	(0.5)
(Net borrowings)/cash and cash equivalents	**(1.2)**	1.3

25 Controlling interests

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

26 Post balance sheet events

Between February and May 2021, a subsidiary undertaking issued further loan notes for a total value of €1,397,000 to GLAS Trust Corporation Limited and Sustainable Growth Management GP II S.a.r.l. These loan notes had the same terms as the original loan notes issued in January 2020 (see note 15).

Since the end of the financial year, the Group has received further short term loan finance from a number of third parties and also received loans from shareholders in order to finance its short term working capital needs. At the time of signing the financial statements, £5.9m of these loans remain outstanding (of which £5.2m is from third parties). The Group intends to repay these loans after the successful completion of the capital raise initiative which is currently underway.

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

27 Subsidiary undertakings

A full list of subsidiary undertakings at 30 September 2020 is set out below. All subsidiaries of Biwater Holdings Limited are directly or indirectly 100% owned unless otherwise stated. Directly owned subsidiaries are denoted with a *. All holdings are of equity share capital unless otherwise stated. The registered office address for all subsidiary undertakings is Biwater House, Station Approach, Dorking, Surrey, RH4 1TZ, UK ('Biwater House'), unless otherwise noted below.

Name	Registered office address
Biwater International Limited *	Biwater House
Biwater Overseas Limited *	Biwater House
Biwater Construction Limited *	Biwater House
Hydro Leasing Limited *	1, George Street, Glasgow, G2 1AL, UK
Biwater Projects Limited *	Biwater House
Biwater Industries Limited *	Biwater House
Biwater International EEMEA Limited	43, Demostheni Severi Avenue, CY-1080-Cyprus
Biwater Inc	8751 Prestige Ct, Rancho Cucamonga, CA 91730, USA
Biwater USA Inc	2450 Edward rd, West Palm Beach, FL 33410, USA
Biwater SAS	23, Rue Jules Valles, 69100, Villeurbanne, France
SPA Biwater Alger	126, rue Didouche Mourad, 16000, Algiers, Algeria
Biwater Maroc SA	28, Rue Galicia, Hay Ryad Secteur 19, Rabat, Morocco
Biwater Osterreich GmbH	Simmeringer Hauptstrasse 24, Top 2.2.40, 1110, Vienna, Austria
Biwater IBO GmbH	c/o Main-Taunus, Steuerdienst GmbH, Am Kreishaus 16, 65719 Hofheim, Germany
Biwater Holdings Sdn Bhd	Plaza Damansara, 9 Medan Setia 1, Bukit Damansara, 50490, Kuala Lumpur, Malaysia
ADP Teknologi Sdn Bhd	Plaza Damansara, 9 Medan Setia 1, Bukit Damansara, 50490, Kuala Lumpur, Malaysia
Biwater (Malaysia) Sdn Bhd	Plaza 138, Suite 18.03, 18th floor No. 138 Jalan Ampang, 50450, Kuala Lumpur
Biwater Environmental Solution Technologies Sdn Bhd	Plaza 138, Suite 18.03, 18th floor No. 138 Jalan Ampang, 50450, Kuala Lumpur
Biwater Philippines Inc	Unit A, Floor 29, Rufino Pacific Tower, 6784 Ayala Avenue, Barangay San Lorenzo, Makati City 1229, Philippines
Biwater BV	Herikerbergweg 238, 1101 CM Amsterdam, Netherlands
Biwater Contracting BV	Herikerbergweg 178, 1101 CM Amsterdam, Netherlands
Biwater Nigeria Limited	Plot 12B, Kaduna-Abuja Expressway, Suleja, Niger State, Nigeria
Biwater (Pty) Limited	Pallazzo Tower West, Montecasino, William Nicol Drive, Fourways 2191, South Africa
Biwater EKO-AKTIV EAD	8, Viskiar Planina Str, 1fl, 2ap, Losenitz, Sofia 1407, Bulgaria
Biwater Espana SA	43, Pasea de la Castellana, Madrid, Spain
Biwater GmbH	c/o Main-Taunus, Steuerdienst GmbH, Am Kreishaus 16, 65719 Hofheim, Germany
Biwater Polska Sp Zoo	Ul. Leszno 14, 01-192 Warszawa, Poland
Biwater Infrastructure Investment Holding Company WLL – 95%	Mun#141, 14th Floor, Al Jasrah Tower, Building no 95, Road 1702, Area 317, Diplomatic Area, Manama, Bahrain

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

27 Subsidiary undertakings *(continued)*

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

Notes forming part of the consolidated financial statements
for the period ended 30 September 2020 *(continued)*

27 Subsidiary undertakings *(continued)*

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

Parent company financial statements
for the period ended 30 September 2020

Company balance sheet

(Company number 00929686)

	Note	September 2020 £m	June 2019 (Restated) £m
Fixed assets			
Tangible fixed assets	4	**0.1**	0.2
Intangible fixed assets	5	**1.1**	1.2
Investments	6	**110.7**	110.7
		111.9	112.1
Current assets			
Debtors: falling due within one year	7	**19.6**	19.8
Debtors: falling due after more than one year	8	**2.0**	4.8
Total debtors		**21.6**	24.6
Cash at bank and in hand	9	**0.1**	0.1
		21.7	24.7
Creditors: falling due within one year	10	**(125.9)**	(122.3)
Net current liabilities		**(104.2)**	(97.6)
Total assets less current liabilities		**7.7**	14.5
Pension liability provision, net of tax	12	**(4.7)**	(4.1)
Net assets		**3.0**	10.4

The notes on pages 64 to 74 form part of these financial statements.

Parent company financial statements
for the period ended 30 September 2020 *(continued)*

Company balance sheet *(continued)*

(Company number 00929686)

	September 2020 £m	June 2019 £m
Capital and reserves		
Called up share capital	**30.0**	30.0
Capital redemption reserve	**3.0**	3.0
Profit and loss account	**(30.0)**	(22.6)
Equity shareholders' funds	**3.0**	10.4

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the period. The Company reported a loss for the period of £6.3m (2019: loss of £3.1m).

Approved by the board of directors on 21 January 2022 and signed on its behalf by:

P B Stevens
Director

Company statement of changes in equity

	Share capital £m	Capital redemption reserve £m	Profit and loss £m	Total equity £m
At 1 July 2018	30.0	3.0	(19.7)	13.3
Comprehensive income/loss for the year				
Loss for the year	-	-	(3.1)	(3.1)
Other comprehensive income	-	-	0.2	0.2
At 30 June 2019	**30.0**	**3.0**	**(22.6)**	**10.4**
Comprehensive loss for the period				
Loss for the period	-	-	**(6.3)**	**(6.3)**
Other comprehensive loss	-	-	**(1.1)**	**(1.1)**
At 30 September 2020	**30.0**	**3.0**	**(30.0)**	**3.0**

The notes on pages 64 to 74 form part of these financial statements.

Parent company financial statements
for the period ended 30 September 2020 *(continued)*

1 Company accounting policies

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies, further details of which are included below.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

Parent Company disclosure exemptions

In preparing the separate financial statements of the Parent Company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No Statement of Cash Flows has been presented for the Parent Company;
- Disclosures in respect of the Parent Company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Company as a whole; and
- No disclosures have been given for the aggregate remuneration of the key management personnel of the Parent Company as their remuneration is included in the totals for the Company as a whole.

The following principal accounting policies have been applied:

Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Leased assets

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

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company ('operating lease'), the total rentals payable under the lease are charged to profit and loss on a straight-line basis over the lease term.

Foreign currency

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

Parent company financial statements
for the period ended 30 September 2020 *(continued)*

1 Company accounting policies *(continued)*

Employee benefits

Contributions to the Company's defined contribution pension scheme are charged to the profit and loss account in the year to which they relate.

The Company also participates in a closed defined benefit scheme operated by the Group known as the Biwater Retirement and Security Scheme ('BRASS'). The difference between the Company's share of the fair value of the assets held in the Group's defined benefit pension scheme and the Company's share of the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the balance sheet as a pension liability. The pension scheme liability is recorded net of any related deferred tax balance, with the recognition of any deferred tax asset following the principles described in the deferred tax accounting policy.

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

Property, plant and equipment

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

Depreciation is provided on items of plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

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

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

Software costs

Software costs that are classified as intangible fixed assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives at a rate of 20% on a straight line basis.

Impairment of fixed assets and investments

Non-current assets are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

Parent company financial statements
for the period ended 30 September 2020 *(continued)*

1 Company accounting policies *(continued)*

Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively. The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Financial assets

Financial assets, other than investments and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding convertible debt and derivatives, are initially measured at transaction price (after deducting transaction costs) and subsequently held at amortised cost.

Judgements in applying accounting policies and key sources of estimation uncertainty

Impairments

The most critical estimates, assumptions and judgements relate to the determination of carrying value of investments in subsidiaries and intercompany receivables. The directors consider whether there are any indicators of impairment based on the underlying net assets, profitability and future prospects of the entity. Where it is concluded there are indicators of impairment, the Company performs impairment tests based on fair value less costs to sell. The fair value less cost to sell calculation is based on a value in use model, which requires the estimation of future cash flows and discount rates.

Parent company financial statements
for the period ended 30 September 2020 *(continued)*

1 Company accounting policies *(continued)*

Judgements in applying accounting policies and key sources of estimation uncertainty *(continued)*

Pension benefits

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

Deferred tax

The amount of deferred tax recognised is dependent on judgements about the realisation or settlement of assets and liabilities. A deferred tax asset is recognised only to the extent that, in the view of the Directors, it is probable that future taxable profits will be available against which the asset can be utilised. The Directors exercise judgement over the likelihood and timing of future profitability, from which estimates are made to establish whether a deferred tax balance should be recognised. The key judgement made is over the likelihood and timing of specific future contract profits, and in exercising this judgement, the Directors have considered significant signed contracts which have already been awarded to the Group or are considered highly likely to be awarded to the Group.

Going concern

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

The Directors have prepared forecasts for the Group for a period of 12 months and subject to the completion of a successful capital raise as detailed below are confident that the Group and the Company will be able to continue in operation and meet its liabilities as they fall due for at least the next twelve months following approval of these financial statements. As such, the financial statements have been prepared on a going concern basis.

The Directors recognise that inherent within international contracting are uncertainties around the timing and receipt of significant contract sums. The Directors have forecast future expected receipts in respect of a number of signed international long-term contracts over the forecast period of 12 months from the date of signing these financial statements using their considerable experience of the industry; although the timing of the customer's funding for these signed contracts and therefore the timing of receiving related contracted amounts is uncertain. At January 2022, the construction phase of one such large contract is at the later stages of the client obtaining funding, which would give rise to an initial payment of $39.6m for which one of the conditions precedent is the completion of the capital raise as considered below. This provides additional visibility over the timing of contract receipts relating to this contract.

Parent company financial statements
for the period ended 30 September 2020 *(continued)*

1 Company accounting policies *(continued)*

***Going concern** (continued)*

Covid-19 has certainly had a dramatic effect across the world and whilst the Group has been able to achieve new contract awards throughout this period, it has also further delayed large construction activity on certain contracts. However, as the world returns to normal, the Group is seeing an increase in demand for our services across all international territories, and a growing pipeline of opportunities to deliver. This has given rise to a capital raise initiative where the Group is seeking new permanent capital to both strengthen the balance sheet and help facilitate the growth expectations. Significant progress is being made and the Group are in discussions with interested investment funds to raise a minimum net £50m. The Group expects to close a new equity injection in the first quarter of 2022. In the interim period, the Group has obtained short term funding of £5.9m from a number of parties to meet short-term cash requirements as set out in note 26 and have heads of terms for further short-term funding of $2.0m. In respect of the loan notes, subsequent to the balance sheet date there have been covenant breaches, however the holders have provided confirmation that it is not their current intention to demand immediate repayment of amounts due and that they are supportive of the capital raise process. If the capital raise is delayed the Group will look at additional funding options to meet any further short-term requirements.

The Board and the main shareholder are confident that in light of progress to date on the capital raise, and support to date in meeting short-term cash requirements that this will be successfully concluded. However, the directors recognise this is not guaranteed. In view of the above, the successful completion of a capital raise and obtaining further funds in the event the forecast timing of contract receipts is later than expected are considered to be material uncertainties, which may cast significant doubt over the Group's and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company was unable to continue as a going concern.

Restatement of comparatives

During the year, management have identified that certain capitalised software development costs that relate primarily to the development of the Group's ERP system were incorrectly classified as tangible fixed assets in prior periods. As such an adjustment has been made to reclassify these costs of £1.2m at 1 July 2018 and 30 June 2019 to intangible fixed assets with no impact on non-current assets. There has been no impact to prior year profit and loss or net assets as a result of these adjustments.

2 Auditor's remuneration

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

Parent company financial statements
for the period ended 30 September 2020 *(continued)*

3 Employee benefit expenses and directors' remuneration

	15 months ended September 2020 £m	Year ended June 2019 £m
Employee benefit expenses (including Directors of the Company)		
Wages and salaries	**0.7**	0.6
Contributions to defined benefit pension scheme	**0.1**	0.1
Social security contributions	**0.1**	0.1
	0.9	0.8

In 2019, in addition to the employee benefit expenses above, an exceptional cost of £0.6m was charged in relation to the equalisation of guaranteed minimum pensions ('GMP') between male and female employees. This arose as a result of a High Court verdict which set a precedent such that GMPs need to be equalised. The expected cost of this was estimated by the scheme actuary.

The average number of employees (including Directors of the Company) during the period was 4, all of whom are based in the UK (2019: 4, all based in the UK).

Directors' remuneration	15 months ended September 2020 £000	Year ended June 2019 £000
Salaries	**1,189**	1,050
Other long-term benefits	**13**	9
Defined contribution pension scheme costs	**100**	76
	1,302	1,135

The highest paid director received aggregate emoluments for the 15 month period of £378,000 (year to June 2019: £328,000). The highest paid director did not receive any benefits relating to pension schemes (2019: £nil).

Parent company financial statements
for the period ended 30 September 2020 *(continued)*

4 Tangible fixed assets

	Fixtures and fittings £m
Cost or valuation	
At 1 July 2018, 30 June 2019 and 30 September 2020	**2.4**
Accumulated depreciation	
At 1 July 2018 and 30 June 2019	2.2
Charge for the period	**0.1**
At 30 September 2020	**2.3**
Net book value	
At 30 September 2020	**0.1**
At 30 June 2019	0.2

5 Intangible assets

	Software costs £m
Cost or valuation	
At 1 July 2018, 30 June 2019 and 30 September 2020	**1.2**
Accumulated depreciation	
At 1 July 2018 and 30 June 2019	-
Charge for the period	**0.1**
At 30 September 2020	**0.1**
Net book value	
At 30 September 2020	**1.1**
At 30 June 2019	1.2

Capitalised software costs relate to the Group's integrated IT system which became fully operational by 31 December 2019 and has been depreciated since that date.

Parent company financial statements
for the period ended 30 September 2020 *(continued)*

6 Investments in group subsidiaries

	September 2020 £m	June 2019 £m
Cost:		
At 1 July 2019 and 30 September 2020	**200.8**	200.8
Impairment provisions:		
At 1 July 2019 and 30 September 2020	**(90.1)**	(90.1)
Net carrying value:		
At 1 July 2019 and 30 September 2020	**110.7**	110.7

The Directors have carried out an impairment review of the carrying value of the investments at 30 September 2020. This resulted in additional provisions of £nil (2019: £nil) to write down the carrying value of certain subsidiaries to their expected realisable values.

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

Name	Country of incorporation and principal place of business	Proportion of ownership interest	
		September 2020	June 2019
Biwater International Limited	United Kingdom	**100%**	100%
Biwater SA	France	**82%**	82%
Biwater Overseas Limited	United Kingdom	**100%**	100%
Biwater Construction Limited	United Kingdom	**100%**	100%

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

7 Debtors: falling due within one year

	September 2020 £m	June 2019 £m
Amounts due from subsidiary undertakings	**19.2**	18.3
Prepayments and accrued income	**0.4**	0.9
Corporation tax recoverable	**-**	0.6
	19.6	19.8

Amounts due from subsidiary undertakings are repayable on demand.

Parent company financial statements
for the period ended 30 September 2020 *(continued)*

8 Debtors: falling due after more than one year

	September 2020 £m	June 2019 £m
Deferred tax (note 11)	**2.0**	4.8
	2.0	4.8

9 Cash at bank and in hand

	September 2020 £m	June 2019 £m
Cash held on deposit as collateral for bank facilities	**0.1**	-
Unrestricted bank and cash balances	-	0.1
	0.1	0.1

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

10 Creditors: falling due within one year

	September 2020 £m	June 2019 £m
Trade creditors	**0.6**	0.4
Taxation and social security	**0.2**	0.1
Short term loan from Directors	**1.1**	-
Accruals and deferred income	**1.1**	1.1
Amounts owed to subsidiary undertakings	**122.9**	120.7
	125.9	122.3

Parent company financial statements
for the period ended 30 September 2020 *(continued)*

11 Deferred tax

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

	30 September 2020		30 June 2019	
	Recognised	**Unrecognised**	Recognised	Unrecognised
	£m	**£m**	£m	£m
Accelerated capital allowances	**-**	**0.3**	0.3	-
Other temporary differences	**-**	**6.9**	-	6.4
Available losses	**2.0**	**10.9**	4.5	7.1
	2.0	**18.1**	4.8	13.5
Employee benefit pension deficit	**0.8**	**0.2**	0.8	-
	2.8	**18.3**	5.6	13.5

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

	September 2020	**June 2019**
	£m	**£m**
Included in debtors due after more than one year	**2.0**	4.8
Deducted from gross pension deficit provision (note 12)	**0.8**	0.8
	2.8	5.6

12 Pension liability provision

	September 2020	**June 2019**
	£m	**£m**
Deficit in scheme	**5.5**	4.9
Related deferred tax asset (note 11)	**(0.8)**	(0.8)
	4.7	4.1

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

Parent company financial statements
for the period ended 30 September 2020 *(continued)*

13 Leases

Operating lease - lessee

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

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

	September 2020 £m	June 2019 £m
Not later than one year	**0.6**	0.5
Later than one year and not later than five years	**2.4**	2.3
Later than five years	**3.9**	4.7
	6.9	7.5

14 Contingent liabilities

Contingent liabilities exist under parent company guarantees given by the Company in respect of contractual arrangements entered into by group undertakings amounting to £5.9m (2019: £5.8m).