

RESONANCE WATER FINANCE UK LIMITED

(the "Company")

Annual Report and Audited Financial Statements

For the year ended 31 December 2018

Registration number: 10897212

RESONANCE WATER FINANCE UK LIMITED

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RESONANCE WATER FINANCE UK LIMITED

Administration

| | |
|------------------------------|--|
| Directors: | Nicholas Wood Lydia Whyatt |
| Registered Office: | 1 Tudor House London EC4Y 0AH |
| Administrator and Secretary: | TMF Group Fund Services Limited Western Suite, Ground Floor Mill Court La Charroterie St Peter Port Guernsey GY1 1EJ |
| Independent Auditor: | KPMG Channel Islands Limited Gategny Court Gategny Esplanade St Peter Port Guernsey GY1 1WR |
| Legal Advisor: | Simmons & Simmons LLP CityPoint 1 Ropemaker Street London EC2Y 9SS |

RESONANCE WATER FINANCE UK LIMITED

Report of the Directors

The directors submit their report and the audited financial statements for the year ended 31 December 2018. The directors of the Company who served during the year are set out on page 2.

Principal activities

The Company was formed to hold a portfolio of investments in Water Assets operated under long term outsourcing agreements with clients in the process industries.

Going Concern

Although the Company is loss making and the Statement of Financial Position is in a net liability position, the directors believe that the Company's financial statements should be prepared on a going concern basis on the grounds that the current and future sources of funding or support will be more than adequate for the Company's needs. In the event that additional funds were needed to support the Company, subject to the investee companies being commercial on a long term basis, the directors would seek to procure and are confident that they would be able to secure any necessary funding from the parent company. The Company has a letter of support from Resonance Industrial Water Infrastructure Limited, the ultimate controlling party of the Company, which commits to meeting the liabilities of the Company for the 12 months from the date of signing the financial statements. They have considered a period of twelve months from the date of approval of the financial statements considering all reasonable fluctuations in the forecast assumptions and currently forecast that the Company is commercial on a long term basis.

Provision of information to auditor

Each of the persons who are directors at the time when this Report of the Directors is approved has confirmed that:

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with applicable law and Section 1A of FRS 102 "*The Financial Reporting Standard applicable in the UK and Republic of Ireland*" (UK Generally Accepted Accounting Practice applicable to Smaller Entities).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

RESONANCE WATER FINANCE UK LIMITED

Report of the Directors (continued)

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements (continued)

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor

Following a meeting of the directors, KPMG Channel Islands Limited was appointed as auditor of the Company on 11 August 2017. The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

Small Company provisions

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

This report was approved by the Board of Directors on 20 August 2019 and signed on behalf of the board by:

Nicholas Wood
Director



RESONANCE WATER FINANCE UK LIMITED

Independent Auditor's Report to the Members of Resonance Water Finance UK Limited

Our opinion is unmodified

We have audited the financial statements of Resonance Water Finance UK Limited ("the Company") for the year ended 31 December 2018 which comprise the Statements of Income and Retained Earnings for the year ended 31 December 2018 and the Statement of Financial Position as of 31 December 2018, and the related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards applicable to smaller entities, including Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Key audit matters: our assessment of the risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matter was as follows (unchanged from 2017):

RESONANCE WATER FINANCE UK LIMITED

Independent Auditor's Report to the Members of Resonance Water Finance UK Limited (continued)

| <i>The risk</i> | <i>Our Response</i> |
|---|---|
| <i>Valuation of investments</i> €10,712,157; (2017: €8,835,489) <i>Refer to note 3.3, 3.10 accounting policy and note 6 disclosures</i> | <p>Basis: As at 31 December 2018 the Company had invested 94% of its total assets in the equity and debt of two unlisted entities (the "Investments"). The Investments are held at fair value which requires the use of significant judgment. As at the period end the Investments were valued on a discounted cash flow basis. The cash flow projections are judgmental, incorporating project specific inputs and assumptions relating to underlying water treatment plants (such as discount and water flow rate, inflation, price etc.).</p> <p>Risk: The forward looking discounted cash flows are judgmental. There is a risk of an inappropriate selection of inputs and assumptions in determining the value. Consequently the valuation of investments has been recognised as a significant risk and is an area of key audit focus.</p> <p>Our audit procedures included:</p> <p>Internal Controls: We assessed the design and implementation of the control in place to review the valuation of the investment.</p> <p>Challenging managements' assumptions and inputs: We assessed the key project specific inputs into the cash flow projections, corroborated key contracted revenues and costs with reference to underlying contracts, agreements, management information and, if available, historical data.</p> <p>We challenged Directors' key assumptions applied in the forecast cash flows (such as discount and water flow rate, inflation, price etc.) and benchmarked these to independent market data, including recent transactions.</p> <p>Disclosures: We have also considered the Company's disclosures (see note 3.3) in relation to the use of estimates and judgments regarding the fair value of the investments, the Company's accounting policies adopted (see note 3.13) and related disclosures (see note 6) for compliance with FRS 102 Section 1A.</p> |

Our application of materiality and an overview of the scope of our audit

Materiality for the Financial Statements as a whole was set at €93,021 (2017: €88,500), determined with reference to a benchmark of Total Assets of €11,429,629 (2017: €8,859,882) of which it represents approximately 0.81% (2017: 1.00%).

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £4,650, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

RESONANCE WATER FINANCE UK LIMITED

Independent Auditor's Report to the Members of Resonance Water Finance UK Limited (continued)

We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements.

We have nothing to report in these respects.

Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion the report has been prepared in accordance with the Companies Act 2006.

We have nothing to report on other matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime, take advantage of the small companies exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

RESONANCE WATER FINANCE UK LIMITED

Independent Auditor's Report to the Members of Resonance Water Finance UK Limited (continued)

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Rachid Frihmat (Senior Statutory Auditor)
for and on behalf of KPMG Channel Islands Limited, Statutory Auditor
Chartered Accountants
Glategny Court, Glategny Esplanade
St Peter Port, Guernsey, GY1 1WR

Date:

28 August 2019

RESONANCE WATER FINANCE UK LIMITED

Statement of Income and Retained Earnings

For the year ended 31 December 2018

| | | For the year from 1 January 2018 to 31 December 2018 Euro | For the period from 3 August 2017 (date of incorporation) to 31 December 2017 Euro |
|---|-------|--|--|
| | Notes | | |
| Turnover | | 436,956 | 10,882 |
| Administrative expenses | 4 | (89,119) | (15,921) |
| Operating profit | | <u>347,837</u> | <u>(5,039)</u> |
| Unrealised profit on revaluation of investments | 6 | 73,644 | - |
| Interest payable and similar charges | 9 | (424,848) | (10,656) |
| Loss on ordinary activities before taxation | | <u>(3,367)</u> | <u>(15,695)</u> |
| Tax on loss on ordinary activities | | - | - |
| Loss for the financial period and total comprehensive income | | <u>(3,367)</u> | <u>(15,695)</u> |
| Retained losses at the start of the year / period | | <u>(15,695)</u> | - |
| Retained losses at the end of the year / period | | <u>(19,062)</u> | <u>(15,695)</u> |

The above results are all in respect of continuing operations.

All recognised gains and losses in the current year are included in the Statement of Income and Retained Earnings.

The accompanying notes on pages 11 to 18 form an integral part of the financial statements.

RESONANCE WATER FINANCE UK LIMITED

Statement of Financial Position As at 31 December 2018

| | Notes | 2018 Euro | 2017 Euro |
|---|-------|-------------------|------------------|
| Non-Current Assets | | | |
| Investments | 6 | 9,127,068 | 7,250,400 |
| Current Assets | | | |
| Investments | 6 | 1,585,089 | 1,585,089 |
| Debtors | 7 | 124,001 | 10,883 |
| Cash at bank and in hand | | 593,471 | 13,510 |
| | | <u>2,302,561</u> | <u>1,609,482</u> |
| Creditors - amounts falling due within one year | | | |
| Creditors | 8 | 87,412 | 35,576 |
| | | <u>87,412</u> | <u>35,576</u> |
| Net Current Assets | | 2,215,149 | 1,573,906 |
| Creditors - amounts falling due after more than one year | | | |
| Loan notes | 9 | 11,361,278 | 8,840,000 |
| | | <u>11,361,278</u> | <u>8,840,000</u> |
| Non-Current Liabilities | | (11,361,278) | (8,840,000) |
| Net Liabilities | | <u>(19,061)</u> | <u>(15,694)</u> |
| Capital and Reserves | | | |
| Called up share capital | 10 | 1 | 1 |
| Retained earnings | | (19,062) | (15,695) |
| Shareholders' Funds | | <u>(19,061)</u> | <u>(15,694)</u> |

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with FRS 102 Section 1A - Small Entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on by:



Nicholas Wood
Director

The accompanying notes on pages 11 to 18 form an integral part of the financial statements.

RESONANCE WATER FINANCE UK LIMITED

Notes to the Financial Statements

For the year ended 31 December 2018

1. General Information

The Company is a private company, limited by shares, registered in England and Wales. The registered office is 1 Tudor House, London, England, EC4Y 0AH. Registration number: 10897212.

2. Statement of Compliance

The accounts have been prepared in accordance with the provisions of Section 1A of FRS 102, 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ("FRS 102 Section 1A").

3. Accounting policies

3.1. Basis of preparation of financial statements

These financial statements for the year ended 31 December 2018 have been prepared in accordance with FRS 102 Section 1A small entities.

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities.

The financial statements are prepared in Euro, which is the functional currency of the entity.

3.2. Going concern

Although the Company is loss making and the Statement of Financial Position is in a net liability position, the directors believe that the Company's financial statements should be prepared on a going concern basis on the grounds that the current and future sources of funding or support will be more than adequate for the Company's needs. In the event that additional funds were needed to support the Company, subject to the investee companies being commercial on a long term basis, the directors would seek to procure and are confident that they would be able to secure any necessary funding from the parent companies. The Company has a letter of support from Resonance Industrial Water Infrastructure Limited, the ultimate controlling party of the Company, which commits to meeting the liabilities of the Company for the 12 months from the date of signing the financial statements. They have considered a period of twelve months from the date of approval of the financial statements considering all reasonable fluctuations in the forecast assumptions and currently forecast that the Company is commercial on a long term basis.

3.3. Critical accounting judgements, estimates and assumptions

In preparing these financial statements in conformity with FRS 102 Section 1A, the directors have made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

a. Judgements

(i) Determination of functional currency

Functional currency is the currency of the primary economic environment in which the Company operates. If indicators of the primary economic environment are mixed, then management uses its judgement to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The majority of the Company's transactions are denominated in Euro. Shareholders' contributions and distributions are also received and paid in Euro. Accordingly, the directors have determined that the functional currency of the Company is Euro.

RESONANCE WATER FINANCE UK LIMITED

Notes to the Financial Statements

For the year ended 31 December 2018

3. Accounting policies (continued)

3.3. Critical accounting judgements, estimates and assumptions (continued)

a. Judgements (continued)

(ii) Consolidation

The Company holds interests in subsidiary investments as part of an investment portfolio in accordance with Section 9 of FRS 102. Accordingly, the Company has not presented consolidated financial statements.

b. Estimates and assumptions

(i) Measurement of fair values

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2018 is included in Note 6 and relates to the determination of fair value of investments and financial instruments using valuation techniques.

There are no other material estimates and assumptions included in the financial statements.

3.4. Turnover

Turnover comprises interest on loan financing provided to investee companies and is recognised on an effective interest rate (EIR).

3.5. Interest receivable and similar income

Bank interest and similar income, are accounted for an an effective interest rate (EIR).

3.6. Interest payable

Interest payable is recognised on an accruals basis.

3.7. Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

3.8. Expense recognition

Expenses are accounted for on an accruals basis and are recognised in the period in which they are incurred.

RESONANCE WATER FINANCE UK LIMITED

Notes to the Financial Statements
For the year ended 31 December 2018

3. Accounting policies (continued)

3.9. Foreign currency transactions

Foreign currency monetary assets and liabilities are translated into Euro at the rate of exchange ruling at the Statement of Financial Position date. Transactions in foreign currency are translated at the rate of exchange ruling at the date of the transaction. Foreign exchange gains and losses are included in the Statement of Income and Retained Earnings. Historic cost is achieved using the exchange rate at the date of transaction.

3.10. Financial instruments

The Company has chosen to adopt Section 11 and Section 12 of FRS 102 in respect of financial instruments.

Trade and other debtors

Trade and other debtors are initially recognised at fair value and subsequently carried at amortised cost less provisions for impairment.

Financial liabilities

Financial liabilities comprise of creditors and loans which are basic financial liabilities and are recognised initially at fair value net of directly attributable transaction costs. Creditors and loan notes are subsequently stated at amortised cost using the effective interest rate method.

Investments held at fair value through profit or loss

In accordance with Section 9.9C(a) of FRS 102, the Company adopts a policy of measuring debt and equity investments in subsidiaries at fair value, with changes in fair value recognised in profit or loss.

An apportionment is made between debt and equity investments in subsidiaries, which are designated upon initial recognition as held at fair value through profit or loss. Investments are recognised / derecognised at the trade date of the purchase / disposal. The investments have been valued using discounted cash flow valuations as at 31 December 2018.

Cash at bank and in hand

Cash at bank and in hand comprise cash balances and short term cash deposits.

4. Expenses

| | For the year from 1 January 2018 to 31 December 2018 Euro | For the period from 3 August 2017 (date of incorporation) to 31 December 2017 Euro |
|---|--|--|
| Listing fees | 46,217 | - |
| Administration, secretarial and accounting fees | 35,903 | 8,591 |
| Auditor's remuneration | 7,007 | 5,300 |
| Legal and professional | 1,833 | - |
| Bank interest paid | 106 | 1 |
| Bank charges | 90 | - |
| Tax compliance fees | (24) | 2,029 |
| Unrealised foreign exchange gain | (2,013) | - |
| | 89,119 | 15,921 |

5. Staff costs

The average number of persons employed by the Company during the year, excluding the directors, amounted to nil (2017: nil).

RESONANCE WATER FINANCE UK LIMITED

Notes to the Financial Statements

For the year ended 31 December 2018

6. Investments

| | For the year from 1 January 2018 to 31 December 2018 Euro | For the period from 3 August 2017 (date of incorporation) to 31 December 2017 Euro |
|--|--|--|
| Opening balance | 8,835,489 | - |
| Acquired - Purchases | 2,630,534 | 8,835,489 |
| Repayment of capital | (765,000) | - |
| Unrealised gain on revaluation of investments | 73,644 | - |
| Unrealised foreign exchange loss on revaluation of investments | (62,510) | - |
| Closing balance | <u>10,712,157</u> | <u>8,835,489</u> |

Acciona Agua Sardinia Infrastructure S.R.L.

| | 31 December 2018 Euro | | 31 December 2017 Euro | |
|--------|--------------------------|------------------|--------------------------|------------------|
| | Cost | Fair Value | Cost | Fair Value |
| Equity | 9,000 | - | 9,000 | 9,000 |
| Loan | 8,385,327 | 8,169,000 | 8,826,489 | 8,826,489 |
| | <u>8,394,327</u> | <u>8,169,000</u> | <u>8,835,489</u> | <u>8,835,489</u> |

Included within investments are loan balances. On 21 December 2017, the Company extended loan financing to Acciona Agua Sardinia Infrastructure S.R.L., in conjunction with a second lender, for the purposes of acquiring a desalination plant and ancillary infrastructure ("Project Sarroch"). The Company's quota of the loan was 90%.

The loan was made up of three amounts, each bearing interest at 4.5% per annum, but each having separate repayment terms.

| | 31 December 2018 Euro | 31 December 2017 Euro |
|-----------------------|--------------------------|--------------------------|
| Consideration loan | 6,755,238 | 7,196,400 |
| VAT loan | 1,585,089 | 1,585,089 |
| General expenses loan | 45,000 | 45,000 |
| | <u>8,385,327</u> | <u>8,826,489</u> |

The term of the Consideration Loan is six years from 21 December 2017, with annual payments to be made at the expiry of each 12 month period.

The VAT Loan is to be repaid in full within 30 business days from the date on which the Borrower has successfully completed the recovery of the VAT from the Italian Tax Authority.

The General Expenses Loan is to be repaid in full within 30 business days from the date the Main Contract (for the water desalination plant) has ceased to be effective.

RESONANCE WATER FINANCE UK LIMITED

Notes to the Financial Statements
For the year ended 31 December 2018

6. Investments (continued)

RE Holding Trust One

| | 31 December 2018 | | | | 31 December 2017 | | | |
|--------|-------------------------|-------------------|--------------------------|--------------------|-------------------------|-------------------|--------------------------|--------------------|
| | AUD Historic Cost | AUD Fair Value | Euro Historic Cost | Euro Fair Value | AUD Historic Cost | AUD Fair Value | Euro Historic Cost | Euro Fair Value |
| Equity | 1,540,070 | 2,025,000 | 975,887 | 1,248,459 | - | - | - | - |
| Loans | 2,100,000 | 2,100,000 | 1,330,809 | 1,294,698 | - | - | - | - |
| | 3,640,070 | 4,125,000 | 2,306,696 | 2,543,157 | - | - | - | - |

On 12 July 2018, the Company extended loan financing to RE Holding Company One Pty Limited as trustee of RE Holding Trust One. AUD 1,680,000 was loaned on 17 July 2018 (Euro 1,063,643) with a further advance of AUD 420,000 (Euro 267,166) made on the 12 December 2018. Each of the loans incur interest at 8% per annum.

| Company | Share Type | Place of business | Date of investment | 31 December 2018 | 31 December 2017 |
|--|------------|----------------------|-----------------------|------------------|------------------|
| Acciona Agua Sardinia Infrastructure S.R.L. | Ordinary | Italy | 7 November 2017 | 90% | 90% |
| RE Holding Trust One | Ordinary | Australia | 12 July 2018 | 40% | 0% |

The fair value of the Company's investments have been determined based on the net asset values of the underlying entities as at the year-end. In terms of the investments held by the underlying entities, the fair value of the underlying wastewater treatment plants have been determined using discounted cash flows. Where the Company holds loan investments, they have been determined based on the fair value of the loans at the year-end, translated using the exchange rates at the year-end where applicable.

In terms of the discounted cash flow valuation used for the operational plants (held by Acciona Agua Sardinia Infrastructure S.R.L and RE Holding Trust One), the valuation is based on discounting the future net income receivable from the entity to arrive at the net present value of the future income streams. The key inputs used in the fair value models are as follows:-

Discount rate: A range of 11-12% has been used.

Designing volume:
(m3 / hour) The volume is fixed for each revenue stream under the Build, Operate and Transfer ("BOT") contracts.

Price:
(Euro and AUD / m3) The price is fixed in Euro and AUD for each revenue stream under the 'BOT' contracts.

Credit risk

'Credit risk' is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that is entered into with the Company, resulting in a financial loss to the Company.

The Company is exposed to credit risk through the investment at fair value through profit or loss equal to its carrying amount. Cash and debtor balances are also subject to credit risk. This credit risk is managed by the Company's directors who also sit on the board of the investment entity and the Company's investment adviser. The investment adviser maintains regular contact with the underlying investments and informs the Company as to when cash flows may be expected or delayed.

Liquidity risk

'Liquidity risk' is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivery of cash or another financial asset.

RESONANCE WATER FINANCE UK LIMITED

Notes to the Financial Statements
For the year ended 31 December 2018

6. Investments (continued)

Liquidity risk (continued)

The Company's financial assets include unlisted equity investments, which are illiquid. As a result, the Company may not be able to liquidate its investments and financial instruments in due time to meet its liquidity requirements. The Company's liabilities are due to associated entities. When these amounts are excluded from the liabilities, then the Company has sufficient working capital to meet its liquidity needs. Management regularly prepare cash flow forecasts to assess the working capital needs of the Company.

Market risk

'Market risk' is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Company's income or the fair value of its holdings of financial instruments.

Interest rate risk

As the interest rate used for both interest income and interest expense is fixed, there is no exposure to interest rate fluctuations at the Company level.

Foreign currency risk

'Foreign currency risk' is the risk that the changes in foreign exchange rates will affect the discounted cash flow basis forming the fair value of investments. The Company borrows the same currency as it intends to use for investment

Although there is some exposure to foreign exchange risk due to the timing of income and expenses, the Company does not forward hedge against foreign exchange movements.

7. Debtors

| | 31 December 2018 Euro | 31 December 2017 Euro |
|---|--------------------------|--------------------------|
| Loan interest due from Acciona Agua Sardinia Infrastructure S.R.L. (see Note 6) | 84,726 | 10,882 |
| Loan interest due from RE Holding Trust One (see Note 6) | 39,274 | - |
| Due from Resonance Industrial Water Infrastructure Limited | 1 | 1 |
| | <u>124,001</u> | <u>10,883</u> |

8. Creditors

Amounts falling due within one year

| | 31 December 2018 Euro | 31 December 2017 Euro |
|--|--------------------------|--------------------------|
| Loan interest (see Note 9) | 66,492 | 10,656 |
| Administration, secretarial and accounting fees payable | 9,910 | 3,949 |
| Audit fees | 6,126 | 5,300 |
| Tax compliance fees | 2,005 | 2,029 |
| Listing fees | 1,985 | - |
| Due to Resonance Industrial Water Infrastructure Limited | 835 | 13,642 |
| Sundry expenses | 59 | - |
| | <u>87,412</u> | <u>35,576</u> |

9. Loans

Details of loans not wholly repayable within five years are as follows:

| | 31 December 2018 Euro | 31 December 2017 Euro |
|---|--------------------------|--------------------------|
| Loan payable to Resonance Industrial Water Infrastructure Limited | 11,361,278 | 8,840,000 |
| | <u>11,361,278</u> | <u>8,840,000</u> |

RESONANCE WATER FINANCE UK LIMITED

Notes to the Financial Statements

For the year ended 31 December 2018

9. Loans (continued)

On 25 September 2018, the Company entered into an amended and restated agreement authorising the issue of up to Euro 15,000,000 4% unsecured loan notes with Resonance Industrial Water Infrastructure Limited with a maturity date of 20 December 2026. This replaced the previous agreement entered into on 20 December 2017 for the issue of Euro 9,000,000 4% unsecured loan notes.

As at 31 December 2018, a total of Euro 9,117,092 had been issued (2017: Euro 8,840,000). During the year ended 31 December 2018, a total of Euro 358,356 had been charged (2017: Euro 10,656).

On 2 November 2018, the Company entered into an agreement authorising the issue of up to USD 320,000,000 (or its equivalent in any other currency) Senior Unsecured Notes with Resonance Industrial Water Infrastructure Limited. The rate of interest and maturity date for each note issuance is to be agreed between the parties at the time of issue.

As at 31 December 2018, a total of AUD 3,640,070 (Euro 2,244,186) had been issued (2017: AUD nil). AUD 2,940,070 has a maturity date of 11 July 2028 and AUD 700,000 has a maturity date of 12 December 2028. Interest is payable on the notes at 7.5% per annum. During the year ended 31 December 2018 a total of EUR 66,492 of interest had been charged (2017: Euro nil).

10. Share Capital

| | 31 December 2018 | 31 December 2017 |
|--|-------------------------|-------------------------|
| | Euro | Euro |
| Allotted, called up and fully paid | | |
| 1 Ordinary share of £1.00 each | 1 | 1 |
| The ordinary shares carry full voting rights at general meetings of the Company. | | |
| Called up as at 1 January 2018 / 3 August 2017 | 1 | - |
| Called up during the year / period | - | 1 |
| Total called up as at 31 December 2018 / 31 December 2017 | 1 | 1 |

11. Related Parties

Nicholas Wood, a director of the Company, is also a director of the parent company Resonance Industrial Water Infrastructure Limited ('RIWIL'). No director's fee is charged for his services as a director of the Company.

On 21 December 2017, the Company extended loan financing to Acciona Agua Sardinia Infrastructure S.R.L., an entity 90% owned by the Company. As at 31 December 2018, the amount receivable was Euro 8,385,237 (2017: Euro 8,826,489). During the year ended 31 December 2018, Euro 397,682 (2017: Euro 10,882) of interest was charged, of which Euro 84,726 (2017: Euro 10,882) remained payable by Acciona Agua Sardinia Infrastructure S.R.L.

On 25 September 2018, the Company entered into an amended and restated agreement authorising the issue of up to Euro 15,000,000 4% unsecured loan notes with Resonance Industrial Water Infrastructure Limited. This replaced the previous agreement entered into on 20 December 2017 for the issue of Euro 9,000,000 4% unsecured loan notes. As at 31 December 2018, the amount payable was Euro 9,117,092 (2017: Euro 8,840,000). During the year ended 31 December 2018, Euro 358,356 (2017: Euro 10,656) of interest was charged, of which Euro nil remained outstanding to RIWIL (2017: Euro 10,656).

On 2 November 2018, the Company entered into an agreement authorising the issue of up to USD 320,000,000 (or its equivalent in any other currency) Senior Unsecured Notes with Resonance Industrial Water Infrastructure Limited. The rate of interest is to be agreed between the parties at the time of issue. As at 31 December 2018, a total of AUD 3,640,070 7.5% unsecured loan notes had been issued (2017: AUD nil). During the year ended 31 December 2018 a total of Euro 66,492 of interest was charged (2017: Euro nil), of which Euro 66,492 remained outstanding to RIWIL at the year end.

RESONANCE WATER FINANCE UK LIMITED

Notes to the Financial Statements

For the year ended 31 December 2018

12. Ultimate Parent Undertaking and Controlling Party

On 12 July 2018, the Company extended loan financing to RE Holding Company One Pty Limited as trustee of RE Holding Trust One. AUD 1,680,000 was loaned on 17 July 2018 with a further advance of AUD 420,000 made on the 12 December 2018. As at 31 December 2018, the amount due was AUD 2,100,000. During the year ended 31 December 2018, Euro 39,274 of interest was charged, of which Euro 39,274 remained due at the year end.

As at 31 December 2018, the amount due to RIWIL, as reimbursement of costs covered on behalf of the Company, was Euro 835 (Euro 13,642).

The directors consider the immediate parent and ultimate controlling party of the Company to be Resonance Industrial Water Infrastructure Limited.

13. Subsequent Events

In respect of the 4% unsecured loan notes issued to RIWIL, a principal repayment of Euro 485,827 was made on 7 February 2019 and an interest payment of Euro 87,153 was made on 31 March 2019.

In respect of the 7.5% unsecured loan notes issued to RIWIL, a partial interest payment of AUD 69,641 was made on 7 February 2019 and a further AUD 60,649 of loan notes were issued in lieu of the remaining interest due. On 23 April 2019, a further AUD 646,100 (Euro 408,785) of loan notes were issued to RIWIL. On 30 April 2019, a partial interest payment of AUD 37,818 (Euro 23,788) was made and a further AUD 31,682 (Euro 19,929) of loan notes were issued in lieu of the remaining interest due. On 30 July 2019, a partial interest payment of AUD 44,655 (Euro 27,586) was made and a further AUD 37,216 (Euro 22,990) of loan notes are due to be issued in lieu of the remaining interest due.

On 7 February 2019, AUD 4,511 (Euro 2,840) of loan interest was paid by RE Holding Trust One in respect of the AUD 420,000 loan with the Company. A further AUD 8,285 (Euro 5,198) of loan interest was received on 1 May 2019 and a further AUD 8,377 (Euro 5,175) on 30 July 2019.

On 7 February 2019, AUD 72,907 (Euro 45,909) of loan interest was paid by RE Holding Trust One in respect of the AUD 1,680,000 loan with the Company. A further AUD 33,140 (Euro 20,792) of loan interest was received on 1 May 2019 and a further AUD 33,508 (Euro 20,700) on 30 July 2019.

On 3 April 2019, a total of GBP 4,800,000 (Euro 5,602,754) 9% unsecured loan notes were issued to RIWIL. The loan notes have a maturity date of 3 April 2028.

On 29 March 2019, the Company entered into an agreement with Green Create W2V Kent Ltd for a loan facility of up to £10,600,000, of which £4,800,000 (Euro 5,602,754) was drawn on 3 April 2019. Interest is payable at a rate of 9.5% per annum. The loan is secured by a fixed and floating charge (registered at Companies House).

On 24 April 2019, a total of AUD 646,100 (Euro 405,872) was invested in RE Holding Trust One, of which AUD 387,660 (Euro 243,523) was by way of a loan and AUD 258,440 (Euro 162,349) was in the form of equity. On 1 May 2019, AUD 595 (Euro 373) was received in respect of loan interest and on 30 July 2019, a further interest payment of AUD 7,732 (Euro 4,776) was received.

On 24 May 2019, a total of SGD 8,933,990 (Euro 5,800,162) 4.1% unsecured loan notes were issued to RIWIL. The loan notes have a maturity date of 24 May 2028. On 13 August 2019, a further SGD 367,621 was issued.

On 28 May 2019, SGD 8,933,990 (Euro 5,793,768) was invested in BioEnergy Pte Ltd as a combination of loan and equity. On 14 August 2019, an additional SGD 367,621 (Euro 236,717) was invested.