ENVIROGEN WATER TECHNOLOGIES LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Registered Company Number 03289389

Envirogen Water Technologies Limited
Financial statements
for the year ended 31 December 2017

Envirogen Water Technologies Limited
Directors and advisors

Directors	M Barker S Malvenan T Metcalfe
Company secretary	M Barker
Registered Office	Unit 9 Wimsey Way Alfreton Trading Estate Somercotes Alfreton Derbyshire DE55 4LS
Independent Auditors	Ernst & Young LLP The Paragon Counterslip Bristol BS1 6BX
Principal Bankers	HSBC Bank plc 26 Broad Street Reading Berkshire RG1 2BU
Registered company number	3289389

Envirogen Water Technologies Limited
Strategic Report for the year ended 31 December 2017

The directors present their strategic report of the Company for the year ended 31 December 2017.

Review of the business
The loss after taxation for the year is £7,494,000 (2016: £1,969,000 loss). The directors do not recommend a dividend for the year (2016: £nil dividend).

The Company's key financial and other performance indicators during the year were as follows:

	2017 £'000	2016 £'000
Turnover	13,151	13,059
Gross profit	(1,162)	3,744
Gross profit %	-9%	29%
Overheads (pre exceptional costs)	(4,739)	(4,583)
Operating loss (pre exceptional costs)	(5,901)	(839)
Exceptional costs	(1,688)	(1,434)
Operating loss	(7,589)	(2,273)

Revenue is generated through the sale of water purification and process filtration systems, consumables and service visits. Consumables revenues have increased in the year by £0.3 million to £1.9 million and service revenues have increased by £0.2 million to £3.2 million. The reduction in the year relates to systems sales.

Systems projects can vary in length from between a few months to up to 3 years and so revenue and costs are recognised over multiple years. There have been a number of systems contracts which did not yield the anticipated margins as these were under-costed or there were complications in delivery. The increased costs of delivery led to revised assessments of revenue recognition as these were not as advanced as initially recognised. This resulted in revenue reducing in the year.

Gross margins have reduced from 29% in 2016 to negative 9% in 2017. This has been caused by the reassessment of systems projects with a number of these contracts having a significantly adverse impact on gross margin in 2017. The impact was recognised towards the end of 2017 with margins taken reduced significantly.

The business has been restructured in early 2018 with a reduction in the cost base and a refocus on business within its core competency. The business is forecast to return to profitability in 2018.

The net result was an increased operating loss prior to exceptional items in 2017 of £5.9 million. There were a number of additional exceptional costs incurred and these are specifed in Note 5.

The business has been restructured in early 2018 with the support of the Company's parent undertaking and its shareholders. Activity is now focussed on business within its core competencies. The problematic systems contracts have been completed and there is a focus on less complex projects. There has been a reduction in the cost base to a level appropriate for the business. The business is forecast to return to profitability in 2018 and is on plan so far to do so.

Principal risks and uncertainties

Credit risk
The Company trades only with recognised, credit worthy customers. All customers who wish to trade on credit are subject to credit verification checks. Customer balances are checked regularly to ensure that the risk of exposure to bad debts is minimised.

Liquidity risk
The Company actively manages the liquidity risk by preparing detailed budgets and forecasts. These budgets are actively monitored on a monthly basis and are revised regularly in the light of updated information. The group continues to receive support from its parent undertaking, Janili S.à r.l.

Interest rate risk
The Company's policy is to manage its cost of borrowing. The Company's policy is to use variable rate finance and to review whether to cover any risk that arises.

Foreign currency risk
The Company has foreign exchange rate exposure due to the high level of intercompany loans and balances.

Approved by the Board on 28 September 2018 and signed on behalf of the Board:

TMetcalfe

T Metcalfe
Director
28 September 2018

Envirogen Water Technologies Limited
Directors' Report for the year ended 31 December 2017

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2017.

Principal activities

The principal activities of the company during the year was the sale and servicing of water purification and process filtration equipment.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

S Malvenan (appointed 2 June 2017)
T Metcalfe (appointed 4 January 2018)
M Barker (appointed 4 July 2017)
V Payne (resigned 14 August 2018)
J Kennedy-Reardon (resigned 21 June 2017)
A Davi (resigned 14 May 2018)

The Company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the ultimate parent company, Janili S.à.r.l.

Future developments

The Company intends to continue to focus on its core strengths within the key markets it has identified.

Subsequent events

There continues to be substantial support provided by the shareholders of the company's ultimate parent company Janili S.a.r.l to the group. A long-term working capital loan of €1.5 million was made to Envirogen Group UK Limited, the Company's immediate parent undertaking, in March 2018 and there was the issue of €1.5 million loan notes by the Envirogen Group UK Limited in May 2018.

Going concern

The Company's business activities, together with the factors likely to affect its future development and financial position are described in Note 2 to the financial statements on page 10.

Independent Auditors

The resolution regarding appointment of auditors will be considered at the next Annual General Meeting.

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

TCMetcalfe

T Metcalfe
Director
28 September 2018

Envirogen Water Technologies Limited
Directors' Responsilities for the year ended 31 December 2017

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Each of the persons who is a director at the date of approval of this report confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ENVIROGEN WATER TECHNOLOGIES LIMITED

YEAR ENDED 31 DECEMBER 2017

Opinion
We have audited the financial statements of Envirogen Water Technologies Limited for the year ended 31 December 2017 which comprise, the Statement of comprehensive income, the Statement of Financial Position the Statement of changes in equity and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ENVIROGEN WATER TECHNOLOGIES LIMITED

YEAR ENDED 31 DECEMBER 2017

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 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 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

Ernst & Young LLP

Paul Mapleston (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol

Date: 28 September 2018

Envirogen Water Technologies Limited
Statement of Comprehensive Income

For the year ended 31 December 2017

	Note	**Year ended 31 December 2017 £'000**	Year ended 31 December 2016 £'000
Revenue	3	**13,151**	13,059
Cost of sales		**(14,313)**	(9,315)
Gross (loss) / profit		**(1,162)**	3,744
Administrative expenses		**(6,427)**	(6,017)
Operating loss	4	**(7,589)**	(2,273)
Interest income	8	**119**	48
Interest expense	8	**(24)**	(18)
Net finance income		**95**	30
Loss before income tax		**(7,494)**	(2,243)
Income tax credit	9	**-**	274
Loss for the financial year		**(7,494)**	(1,969)
Other comprehensive income for the year		**-**	-
Total comprehensive expense for the year		**(7,494)**	(1,969)

The notes on pages 10 to 26 form an integral part of these financial statements.

Envirogen Water Technologies Limited
Statement of Financial Position

As at 31 December 2017

	Note	As at 31 December **2017** £'000	2016 £'000
Fixed assets			
Intangible assets	10	**269**	566
Property, plant and equipment	11	**393**	368
Trade and other receivables	13	**3,918**	6,128
		4,580	7,062
Current assets			
Inventories	12	**953**	911
Trade and other receivables	13	**3,992**	4,674
Cash and cash equivalents		**165**	776
		5,110	6,361
Creditors: amounts falling due within one year	14	**(16,859)**	(13,212)
Net current liabilities		**(11,749)**	(6,851)
Total assets less current liabilities		**(7,169)**	211
Creditors: amounts falling due after more than one year	15	**(114)**	-
Provisions for liabilities	16	**-**	-
Net (liabilities) / assets		**(7,283)**	211
Equity			
Share capital	19	**-**	-
Retained earnings		**(7,283)**	211
Total shareholders' (deficit)/funds		**(7,283)**	211

The notes on pages 10 to 26 are an integral part of these financial statements.

The financial statements were approved and authorised for issue by the board on 28 September 2018 and signed on its behalf by:

T C Metcalfe

T Metcalfe
Director
28 September 2018

Registered number: 03289389

Envirogen Water Technologies Limited
Statement of Changes in Equity

For the year ended 31 December 2016

	Share capital	Retained earnings	Total Shareholders funds
	£'000	£'000	£'000
Balance at 1 January 2016	-	2,180	2,180
Loss for the financial year	-	(1,969)	(1,969)
Other comprehsive income for the year	-	-	-
Total comprehensive expense for the year	-	(1,969)	(1,969)
Balance as at 31 December 2016	-	211	211

For the year ended 31 December 2017

	Share capital	Retained earnings	Total Shareholders funds/(deficit)
	£'000	£'000	£'000
Balance at 1 January 2017	-	211	211
Loss for the financial year	-	(7,494)	(7,494)
Other comprehsive income for the year	-	-	-
Total comprehensive expense for the year	-	(7,494)	(7,494)
Balance as at 31 December 2017	-	**(7,283)**	**(7,283)**

The notes on pages 10 to 26 are an integral part of these financial statements.

Envirogen Water Technologies Limited
Notes to the financial statements for the year ended 31 December 2017

1 General Information

The financial statements of Envirogen Water Technologies Limited (the 'Company') for the year ended 31 December 2017 were authorised for issue by the Board of Directors on 28 September 2018 and the Balance Sheet was signed on the Board's behalf by T Metcalfe. Envirogen Water Technologies Ltd is a private limited company incorporated and domiciled in England and Wales, registered number 03289389.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The Company's financial statements are presented in GBP. The results of Envirogen Water Technologies Limited are included in the consolidated financial statements of Janili S.à r.l., a company incorporated in Luxembourg. The consolidated financial statements may be obtained from 19, rue de Bitbourg, L-1273 Luxembourg.

The principal accounting policies adopted by the Company are set out in note 2.

2 Principal accounting policies

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

2.1 Basis of preparation

These accounts are prepared in accordance with FRS 101 Reduced Disclosure Framework. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2017.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

(a) the requirement of IFRS 7 Financial Instruments: Disclosures
(b) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 (1) paragraph 79(a)(iv) of IAS 1
 (2) paragraph 73(e) of IAS 16 Property, Plant and Equipment
 (3) paragraph 118(e) of Intangible Assets
(c) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements
(d) the requirements of IAS 7 Statement of Cash Flows
(e) the requirements of paragraph 17 of IAS 24 Related Party Disclosures
(f) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Where required, equivalent disclosures are given in the group accounts of Janili S.à r.l.

Going Concern

In line with the Financial Reporting Council guidance on Going Concern issued in April 2016 and taking into account the FRC's guidance on risk management, internal control, related business and financial reporting issued in September 2014, the Directors have undertaken an exercise to review the appropriateness of the continued use of the Going Concern basis. The Company's business activities, together with the factors likely to affect its future development, its financial position and financial risk management position are described in the strategic report.

The financial statements have been prepared on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future and meet its liabilities as they fall due. There are a number of factors that the Directors have had to consider in deciding to prepare the financial statements on a going concern basis.

At 31 December 2017, the Company has net liabilities of £7.3 million and net current liabilities of £11.7 million. This position is because the Company has incurred significant net losses and negative cash flows during the two years ended 31 December 2017. These have arisen due to the expansion of the Company into more complex and larger projects that it has experienced difficulties executing these projects and the Company contributed to the establishment of Group operations overseas.

The Company is dependent on debt financing from its parent undertaking and controlling party, Janili S.a.r.l. Janili S.a.r.l has confirmed to the Directors of the Company that it intends to continue to provide financial support to allow the Company to meet its current operational commitments. At 31 December 2017, the consolidated accounts of Janili S.a.r.l showed net current liabilities of €10.7 million and net assets of €5.5 million.

2 Principal accounting policies (continued)

2.1 Basis of preparation (continued)

Going Concern (continued)

In January 2018, the Group was restructured such that it can concentrate and focus on its core competencies. The Group has exited markets in the Middle East and refocussed the businesses in the UK, US and Europe. In addition, the cost base was aligned in the first quarter of 2018 to a level appropriate for the size of business. This has allowed the Group to return to profitability in 2018.

During this repositioning, there has been substantial support provided by the shareholders of the company's parent company, Janili S.a.r.l. The shareholders subscribed for an additional €8.5 million of share capital during 2017. The shareholders then subscribed for €2.5 million of loan notes in December 2017, and two further long-term loans of €1.5 million each in March 2018 and May 2018.

The Group continues to require external financing. This is provided by HSBC through a €8.4 million revolving credit facility which expires in May 2019 and a €0.7 million term loan which is due to be repaid by May 2019. Due to the performance of the Group in 2017, the Group had breached its bank covenants with HSBC. The Group though continued to receive support from HSBC, with a further €0.4 million advanced on the revolving credit facility in March 2018.

The Group has agreed a restructuring of the debt with HSBC with the term extended to December 2020 when all outstanding debt will become payable. The €0.7 million term loan will continue to be paid on previously agreed dates and will be settled in full by May 2019. The shareholders of Janili S.a.r.l have indicated that they will repay €2.0 million of the revolving credit facility in October 2018. These funds will be raised by the issue of further loan notes by Envirogen Group UK Limited, the Company's immediate parent company. Following repayment of this €2.0 million, the remaining balance of the revolving credit facility of €6.4 million will be converted into a term loan. Quarterly repayments of €0.4 million will be made September and December 2019 and in March, June, September and December 2020. The remaining balance of €4.0 million will be payable in December 2020.

The Directors of Janili S.a.r.l have prepared forecast cash flows covering the period to 31 December 2019 and these indicate a return to operating profit with appropriate cash resources being available to meet the obligations of the Group. Management is confident that forecast revenue and operating margin levels will be achieved through 2018 and 2019.

The Directors believe continued support from its parent undertaking will ensure the operating commitments of the entity are met. Consequently the Directors have a reasonable expectation that the Company has sufficient resources to meet its liabilities as they fall due and believe that it is appropriate to prepare the financial statements on a going concern basis.

New Standards, amendments and IFRIC

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2017, have had a material impact on the company.

2.2 Significant judgements and key sources of estimation uncertainty

The preparation of the Company financial statements requires management to make judgements and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and of the amounts reported for revenue and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

2 Principal accounting policies (continued)

2.2 Significant judgements and key sources of estimation uncertainty (continued)

Recognition of revenue from rendering of services
The Company recognises revenue from rendering of services by reference to the stage of completion of the respective contract. The stage of completion is determined based on total costs incurred to date for each contract by reference to total estimated costs for the project, taking into account certain milestones to be achieved. Due to the nature of the Company's business, there is a significant amount of management judgement involved in determining the percentage of completion for each contract, which affects the reported value of the assets, liabilities, revenue and expenses presented in these consolidated financial statements. The Board performs regular reviews of the judgments made by the Company with regard to the recognition of revenue and related costs on its most significant revenue contracts.

Long term financing arrangements
The Company has entered into long term financing arrangements with its customers for the design, build and installation of bespoke assets. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that the customer has all the significant risks and rewards of ownership of these assets. As a result, the Company de-recognises these assets upon sale to the customer and accounts for the long term receivable as a financing arrangement with the customer. Please see more details in Note 13.

Operating Lease commitments – Company as a Lessee
The Company has entered into property, plant and equipment leases as a lessee. The classification of such leases requires the Company to determine, based on evaluation of the terms and conditions of the arrangements, whether it acquired the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the balance sheet. Based on an evaluation of the terms and conditions of the lease arrangements the Company accounts for these leases as operating leases.

Customer relationships and Customer backlog
The Company has measured the cost on intangible assets that have resulted from business combinations at fair value on acquisition. These were based on an assessment of the useful economic life of each category using a value in use income approach and royalty method.

Customer relationships – have been valued using a value in use discounted cash flow model. The key assumptions in these calculations were:

- Operating cash flows for the business over a five year period based on reasonable expected growth and business plans.
- A discount rate of 12% to 18.2% and an effective tax rate of 28%.
- Existing customer attrition rate of between 7% and 20%.

Customer backlogs – have been valued using an income approach excess earnings method. The key assumptions in these calculations were:

- Operating cash flows relating to the order backlogs are recognised over a 10 year period.
- A discount rate of 15% is used and an effective tax rate of 35%.

Development costs
Development costs are capitalised in accordance with the accounting policy given below. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed. In determining the amounts to be capitalised management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 31 December 2017, the carrying amount of capitalised development costs was £301,000 (2016: £468,000).

Taxation
Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 9.

2.3 Foreign currency translation

The Company's financial statements are presented in sterling, which is also the company's functional currency.

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

2 Principal accounting policies (continued)

2.3 Foreign currency translation (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.4 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period;

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.5 Intangible Assets

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Customer relationships
The Company acquired the customer relationships of Derwent Water Technologies Limited in 2013. Customer relationships were valued on acquisition and are amortised over a period of 5 years reflecting the expected return on existing customer relationships.

Research & Development costs
Research costs are expensed as incurred. Development expenditure is recognised as an intangible asset when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of the resources to complete the asset and the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when the development is complete and the asset is available for use. It is amortised at 25% on a straight line basis.

Amortisation
Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Customer relationships	20% straight-line
Research and Development	25% straight line

2 Principal accounting policies (continued)

2.6 Tangible fixed assets

Tangible fixed assets are stated at cost of acquisition or production cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation
Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold improvements	20% straight-line
Plant & Machinery	10-20% straight-line
Fixtures & Fittings	20% straight-line
Motor Vehicles	25% straight-line
Endopure loan units	25% straight-line
Software	25% straight-line

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the de-recognition of the asset is included in the income statement in the period of de-recognition.

2.7 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the income statement, unless the asset is carried at a revalued amount when it is treated as a revaluation increase.

2.8 Leases

Company as a lessee
Assets held under finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight line basis over the lease term.

Company as a lessor
Assets leased out under operating leases are included in property, plant and equipment and depreciated over their estimated useful lives. Rental income, including the effect of lease incentives, is recognised on a straight line basis over the lease term.

2 Principal accounting policies (continued)

2.8 Leases (continued)

Where the Company transfers substantially all the risks and benefits of ownership of the asset, the arrangement is classified as a finance lease and a receivable is recognised for the initial direct costs of the lease and the present value of the minimum lease payments. As payments fall due, finance income is recognised in the income statement so as to achieve a constant rate of return on the remaining net investment in the lease.

2.9 Financial Instruments

Financial assets
Financial assets within the scope of IAS 39 are classified as loans and receivables. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs.

The Company's financial assets include cash and short-term deposits and trade and other receivables.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as described below:

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. The EIR amortisation is included in finance income in the income statement.

Trade and other receivables
Trade and other receivables, which generally have 30 to 90 day credit terms, are recognised by the Company and carried at original invoice amount less an allowance for any uncollectible or impaired amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when they are identified as being unrecoverable.

Cash and short term deposits
Cash and short term deposits comprise cash at bank and in hand and short term deposits. Short term deposits are defined as deposits with an initial maturity of three months or less.

Derecognition of financial assets
A financial asset is derecognised when (i) the rights to receive cash flows from the asset have expired or (ii) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, o (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets
The Company assesses, at each reporting date, whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the future estimated cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows.

Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as loans and borrowings. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. The Company's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings.

2 Principal accounting policies (continued)

2.9 Financial Instruments (continued)

Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as loans and borrowings. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. The Company's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings.

Subsequent measurement
The measurement of financial liabilities depends on their classification as described below:

Loans and Borrowings
After initial recognition, interest bearings loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

Trade and other payables
Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

2.10 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Costs incurred in bringing each product to its present location and condition are determined on a first in first out basis and comprise purchase cost, cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Long term contract balances are valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

The Company capitalises design costs incurred in the proposal phase of a project, representing material and labour costs incurred to design a prototype of the asset to be built for the customer. Initial capitalisation of design costs is based on management's judgement that technological and economic feasibility of the project is confirmed and that it is virtually certain that the work will be won, hence the costs will be recovered.

2.11 Income and deferred taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authority, based on the tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised in full, using the liability method, in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exception that when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

2 Principal accounting policies (continued)

2.11 Income and deferred taxation (continued)

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

2.12 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The revenue shown in the profit and loss account represents amounts invoiced during the year, exclusive of

Sale of goods
Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods, and the amount of revenue can be reliably measured.

Rendering of Services
Revenue from design and build contracts is recognised by reference to the stage of completion. Stage of completion is measured by reference to costs incurred to date as a percentage of total costs for each contract, taking into account certain milestones to be achieved. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Revenue from service contracts is recognised by stage of completion with reference to time period over which the services are provided, starting a month following the date of agreement with the customer. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Where a contract in progress at the year-end has not been billed, the net costs of the contract are included within work in progress after deducting any payments on account. Where the Company only incurred costs in relation to the design work for a contract, the percentage of completion at year-end is assessed at a standard percentage (usually 30%), so as to reflect the initial design, specification and testing costs, which are included in overheads.

Where a long term contract is considered to be loss making, the whole of the foreseeable loss is recognised immediately. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest income
Revenue is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

2.13 Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

2.14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that a Company incurs in connection with the borrowing funds.

2.15 Exceptional items

The Company presents as exceptional items those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

3 Revenue

The revenue recognised in the income statement is analysed as follows:

	2017	2016
	£'000	£'000
Sale of goods	**9,914**	10,037
Rendering of services	**3,210**	2,964
Other income	**27**	58
	13,151	13,059

An analysis of revenue by geographical area is given below:

	2017	2016
	£'000	£'000
United Kingdom	**11,488**	12,320
Overseas sales	**1,663**	739
	13,151	13,059

4 Operating loss

	2017	2016
	£'000	£'000
Operating loss is stated after charging / (crediting):		
Operating lease payments	**434**	342
Amortisation of intangible assets	**292**	261
Depreciation of leased fixed assets	**25**	-
Depreciation of owned fixed assets	**127**	204
Profit on sale of fixed assets	**(1)**	-
Foreign exchange losses / (gains)	**47**	(76)
Exceptional costs	**1,688**	1,434

The auditor's remuneration for this company in years ended 31 December 2016 and 2017 within the group is borne by Envirogen Group UK Limited.

5 Exceptional items

Exceptional items consist of the following items:

	2017	2016
	£'000	£'000
Set up costs of Middle East business	-	716
Refinancing costs	-	10
Foreign exchange losses on loan balances	-	179
Director settlement & legal costs	145	529
Provision for doubtful debt	457	-
Consultancy	37	-
Severance costs	40	-
Provision for non-recoverable intercompany balances	889	-
Accounting costs	120	-
	1,688	1,434

Set up costs of Middle East business

The Company incurred costs of £nil (2016: £716,000) in respect of salary and related costs towards the set up of a new division in the Middle East, principally serving the Oil and Gas markets.

Refinancing costs

In May 2016 Janili S.à.r.l., the ultimate parent company, signed an agreement with HSBC Bank Plc as lender, for a multicurrency revolving credit facility in aggregate amounts of 8.352 million euros to provide working capital to the Group. Envirogen Water Technologies Limited is an obligor of the facility. The Company's portion of the costs associated with this refinancing in 2016 were £10,000.

Foreign exchange losses on translation of inter-company loan balances

In the previous year the Company incurred losses of £179,000 on the translation of the inter-company loan outstanding at the year-end which is denominated in euros and relating to the bank loan entered into by Janili S.à.r.l. as referred to above. Costs in 2017 were treated within trading activities.

Salary (including severance costs)

Salary (including severance costs) of £145,000 (2016: £529,000) were incurred in respect of one of the Directors that left the business.

Provision for doubtful debt

A provison of £457,000 was made in respect of a debt that is not anticipated to be realised in full.

Consultancy

Company advisors and consultation fees with regards to the UK strategy.

Severance costs

Fees were accrued as part of the severance of employees in respect of contractual obligations

Provision for non-recoverable intercompany balances

Provision for non-recoverable intercompany balances with business units in Bahrain and Dubai that are being wound up in 2018.

Accounting costs

Follwing the departure of the Group Finance Director and other members of the Finance team, costs were incurred in finding replacements and employing temporary staff.

6 Staff costs and numbers

	2017 £'000	2016 £'000
Wages and salaries	**3,768**	3,551
Social security costs	**512**	405
Other pension costs	**104**	143
	4,384	4,099

Pension costs relate to contributions made to defined contribution pension schemes.

The average monthly number of employees during the year was made up as follows:

	2017	2016
Production	**58**	53
Sales and Marketing	**12**	8
Administration	**11**	10
	81	71

7 Directors remuneration

	2017 £'000	2016 £'000
Directors' Remuneration	**464**	706

The 2017 figures include the remuneration of four directors. In 2016, only two directors were employed. Other directors were remunerated by other Group companies and the cost of their activities was recovered through the management fee.

In respect of the highest paid director	2017 £'000	2016 £'000
Salary (including severance costs)	**150**	556
Defined Contribution Pension Scheme	**8**	89

8 Interest income and expense

	2017 £'000	2016 £'000
Interest receivable		
Finance income receivable from finance leases (DBO contracts)	**119**	48

	2017 £'000	2016 £'000
Interest payable		
Bank loans and overdrafts	**24**	18

9 Taxation on ordinary activities

Tax charged in the Statement of Comprehensive Income

	2017 £'000	2016 £'000
Current tax:		
UK corporation tax	-	(245)
Amounts underprovided in previous years	-	4
Total current tax charge / (credit)	-	(241)
Deferred tax:		
Origination and reversal of timing differences	-	(33)
Tax (income)/expense included in the Statement of Comprehensive Income	-	**(274)**

A reconciliation of the income tax credit applicable to the accounting loss before tax at the statutory income tax rate to total taxation for the Company is below. The tax charge for the year is lower (2016: lower) than the standard UK corporation tax rate of 19.25% (2016: 20.00%).

	2017 £'000	2016 £'000
Loss on ordinary activities before taxation	**(7,494)**	(2,243)
Profit on ordinary activities multiplied by the standard UK corporation tax rate of 19.25% (2016: 20.00%)	**(1,443)**	(449)
Effects of:		
Expenses not deductible for tax purposes	**177**	24
Tax underprovided in previous years	-	5
Accelerated capital allowances	**(5)**	-
Tax effect of losses carried forward	**1,271**	146
Tax charge / (credit)	-	(274)

Unrecognised tax losses
The Company has tax losses which arose during the year of £5,688,000 (2016: £913,000) that are available indefinitely for offset against future taxable profits of the company. Deferred tax assets of £1,183,000 have not been recognised in respect of these losses as there is uncertainty over the recoverability.

Factors affecting current and future tax charges
Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

10 Intangible fixed assets

	Research and development £'000	Customer relationships £'000	Total £'000
Cost			
At 1 January 2017	395	998	1,393
Disposals	(5)	-	(5)
As 31 December 2017	**390**	**998**	**1,388**
Accumulated amortisation			
At 1 January 2017	127	700	827
Amortisation for the year	92	200	292
At 31 December 2017	**219**	**900**	**1,119**
Net book value			
As at 31 December 2016	268	298	566
As at 31 December 2017	**171**	**98**	**269**

In 2013 the Company purchased the trade of Derwent Water Technologies Limited. As part of this purchase a proportion of the purchase proceeds was treated as deferred consideration. This amount totalling £998,000 has been included as Customer Relationships and amortised over a period of 5 years. Intangible assets amortisation is recorded in administrative expenses in the income statement.

11 Property, plant and equipment

	Leasehold improvements £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Research and development £'000	Loan units £'000	Software £'000	Total £'000
Cost								
At 1 January 2017	38	140	201	29	282	236	61	987
Additions	4	1	15	157	-	0	(0)	177
Disposals	-	-	-	(13)		-	-	(13)
At 31 December 2017	**42**	**141**	**216**	**173**	**282**	**236**	**61**	**1,151**
Accumulated depreciation								
At 1 January 2017	9	135	94	29	82	213	57	619
Charge for the year	7	1	32	25	70	13	4	152
Disposals	-	-	-	(13)	-	-	-	(13)
At 31 December 2017	**16**	**136**	**126**	**41**	**152**	**226**	**61**	**758**
Net book value at 31 December 2017	**26**	**5**	**90**	**132**	**130**	**10**	**-**	**393**
Net book value at 31 December 2016	29	5	107	-	200	23	4	368

The Endopure loan units are the company's compact reverse osmosis units. These serve the healthcare market and the above units are loaned to potential and existing customers.

Buildings additions represent leasehold improvements made to the Alfreton production site.

12 Inventories

	2017 £'000	2016 £'000
Long Term contract balances	**318**	349
Finished goods and goods for resale	**635**	562
	953	911

Inventories are stated after provisions for impairment of £56,000 (2016:£39,000).

13 Trade and other receivables

	2017 £'000	2016 £'000
Current financial assets at amortised cost		
Receivables from trade customers	**2,620**	3,353
Amounts due on DBO contracts	**454**	413
Amounts recoverable on other long-term contracts	**-**	376
Amounts owed by group undertakings	**399**	90
Income tax receivable	**245**	245
Other debtors	**60**	40
Prepayments and accrued income	**214**	157
Total	**3,992**	4,674
Current financial assets at amortised cost		
Amounts due on DBO contracts	**3,918**	6,128
Total	**7,910**	10,802

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. Trade receivables are stated after provisions for impairment of £61,000 (2016: £22,000). All amounts included in accounts receivable from trade customers are expected to be recoverable, with any amounts that are expected to be bad debts being provided 100%. As at 31 December 2017, trade receivables with an initial carrying value of £60,000 (2016 £62,000) were impaired and fully provided for.

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

In the past two years, the Company entered into a multiple-element sale agreement with two of its customers for the design, build, installation and servicing / maintenance of a bespoke, trade effluent plant ("DBO contract"). Payments under the agreement are to be made over a 10 year contract term. As at 31 December 2016, the asset was nearing completion of the build and had not yet been commissioned. The transfer of the risks and rewards associated with the asset is made as certain milestones are achieved. The full commissioning of the asset happened in early 2017. There is no transfer of the asset to the customer at the end of the lease.

Upon inception of the agreement, the various elements were identified as follows:

- The bespoke plant is to be sold to the customer as a capital asset;
- A separate service and maintenance contract relating to the plant exists.

The total receivable represents the debtor arising under this contract as part of the transaction which is, in substance, a finance lease.

- The plant has been sold and the lease is treated as an entitlement to receive, and an obligation to make, a stream of payments that are substantially the same as blended principal and interest under a loan agreement.
- The service contract is treated as a standalone contract since the option existed to terminate the service element of the contract, prior to its commencement at the commissioning date. The service element is recognised over the course of the maintenance period, as is the case with similar contracts undertaken by the Company.

13 Trade and other receivables (continued)

The service element and plant sales have been split in accordance with IFRIC 4.13 based on their relative fair values at inception. The discount rate applied in calculating the finance costs is the incremental borrowing rate of interest, which is the rate of interest the lessee would have to pay on a similar lease or the rate that, at the inception of the lease, the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to purchase the asset.

The finance charge on the sale of the plant was based upon an interest premium being charged of 4% based upon the Group's weighted average cost of capital of 8%. This premium has been arrived at by extensive benchmarking of other similar products in the industry.

Fair Values

Future minimum lease receivables under non-cancellable finance leases, together with the present value of the net minimum lease payments are presented in Note 17 below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining the fair value, the Group has considered the creditworthiness of the customer and other risks.

The loan represents the sale of the plant, subject to the finance lease only. The carrying value and the fair value are considered to be the same at this point since there are no indications that the debtor will not be recoverable in full. The cash flows are fixed in advance and are therefore not subject to fluctuations in the market or interest rates.

14 Creditors: Amounts falling due within one year

	2017	2016
	£'000	£'000
Trade creditors	**2,442**	2,003
Amounts owed to group undertakings	**11,102**	8,233
Other creditors including taxation and social security:		
PAYE and Social security	**149**	130
VAT	**250**	374
Other creditors	**2**	2
Amounts due on finance leases	**16**	-
Accruals and deferred income	**2,898**	2,470
	16,859	13,212

Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

15 Creditors: Amounts falling due after more than one year

	2017	2016
	£'000	£'000
Amounts due on finance leases	**114**	-

16 Provisions - Deferred taxation

	2017	2016
	£'000	£'000
Provision brought forward	-	33
Credit to the profit and loss account in the year	-	(33)
Provision carried forward	-	-

The provision for deferred taxation consists of the tax effect of timing differences in respect of accelerated capital allowances.

17 Obligations under leases and hire purchase contracts

Commitments under operating leases – Company as lessee

The Company has entered into commercial leases in certain motor vehicles and items of machinery, in addition to land and buildings. Lease contracts for motor vehicles and machinery are generally between 3 and 4 years with no renewal options in the contracts. Land and building leases have a remaining period between 5 and 7 years. There are no restrictions placed upon the Company by entering into these leases.

Future minimum rental payments under non-cancellable operating leases as at 31 December are, as follows:

	2017	2016
	£'000	£'000
Operating leases which expire:		
Within one year	370	319
After one year but less than five years	599	602
After five years	150	225
	1,119	1,146

Commitments under finance leases – Company as lessee

	2017	2016
	£'000	£'000
Amounts payable under finance leases:		
Within one year	16	-
After one year but less than five years	114	-
	130	-

Finance lease and hire purchase commitments – Company as Lessor

The Company has entered into a finance lease during the year with one of its customers for the design, build and installation of a bespoke, trade effluent plant with a separate service contract relating to the plant. Payments for the plant are to be made over a 10 year contract term under a finance lease in which the company operates as a lessor. There is no transfer of the asset to the customer at the end of the lease.

Future minimum lease receivables under non-cancellable finance leases, together with the present value of the net minimum

	2017	2016
	£'000	£'000
Minimum payments		
Within one year	640	497
After one year but less than five years	2,672	3,111
After five years	1,974	3,596
	5,286	7,204
Less amounts representing finance charges	(915)	(663)
Present value of minimum lease payments	4,371	6,541

	2017	2016
	£'000	£'000
Present value of payments:		
Within one year	454	413
After one year but less than five years	2,129	2,700
After five years	1,788	3,428
Present value of minimum lease payments	4,371	6,541

The total service income recognised during the year is £119,000 (2016 £48,000).

18 Related party transactions

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries.

19 Share Capital

	Number	2017	2016
		£	£
Allotted, called up and fully paid:			
100 Ordinary shares of £1 each	100	**100**	100

20 Off-balance sheet arrangements

The Company has entered into commercial leases in respect of certain motor vehicles and items of machinery, in addition to land and buildings. These arrangements are a cost effective way of obtaining the short-term benefits of these assets. The annual commitments under these arrangements are disclosed in Note 17. There are no other material off-balance sheet arrangements.

21 Ultimate parent company

The company is a wholly owned subsidiary of Envirogen Group UK Limited, a company incorporated in England and Wales. The company's ultimate parent undertaking is Janili S.à r.l., a company incorporated in Luxembourg. The registered address of Janili S.à r.l is 19, rue de Bitbourg, L-1273 Luxembourg.

22 Subsequent Events

There continues to be substantial support provided by the shareholders of the company's ultimate parent company Janili S.a.r.l to the group. A long-term working capital loan of €1.5 million was made to Envirogen Group UK Limited, the Company's immediate parent undertaking, in March 2018 and there was the issue of €1.5 million loan notes by the Envirogen Group UK Limited in May 2018.