HWT LIMITED

ANNUAL REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2017

Registered Number SC187212

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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DIRECTORS AND ADVISERS

Directors

David Michael Hardy
Christopher James Tanner

Registered office

1 Kingsway
London
WC2B 6AN

Company secretary and registered office

Burness Paull LLP
50 Lothian Road
Edinburgh
Scotland
EH3 9WJ

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

STRATEGIC REPORT

PRINCIPAL ACTIVITIES

HWT Limited (the "Company") was incorporated in Scotland. The Company holds an investment in Catchment Tay Holdings Limited, a holding company which invests in Catchment Tay Limited, whose principal activity is the provision of wastewater, sewage treatment and related services.

BUSINESS REVIEW

There have not been any significant changes in the Company's principal activities in the year under review.

During the year, the Company received revenue from its investments in the form of interest on loans and dividends. The Company reports a profit after tax for the year of £826,000 (year ended 31 March 2016: profit of £1,663,000) and a net gain on investments at fair value of £343,000 (year ended 31 March 2016: gain on investments at fair value of £553,000). Please refer to note 8 for further details.

The Company recognises its investment at fair value in the statement of financial position with movement recorded through the Income Statement, as explained in note 2. In order to determine the fair value of the investment, the Company takes into consideration the fair value of the underlying portfolio companies and intermediate holding companies.

The Directors have considered the use of the going concern basis in the preparation of the financial statements in light of current market conditions and concluded that it is appropriate. In reaching this conclusion, the Directors have specifically considered the Company's relationships with its immediate parent. More information is provided in note 2(b) to the financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risk faced by the Company is market risk in relation to its investments. Credit risk is mitigated by the Company holding investments in environmental infrastructure projects, which receive regular, long term, partly or wholly index linked revenue from Scottish Water, a government body. Please refer to note 15 for further details on the Company's financial instruments and risks.

KEY PERFORMANCE INDICATORS ("KPIs")

The key performance indicator for the Company is the net assets attributable to shareholders, as detailed on page 7 of the financial statements.

FUTURE DEVELOPMENTS

The Directors intend for the business to continue to operate in line with the contractual terms and do not expect any strategic changes.

On behalf of the Board

Chris Tanner

Christopher James Tanner
Director
1 December 2017

DIRECTORS' REPORT

The Directors submit the Annual Report and the audited financial statements for the year ended 31 March 2017.

The Company is a limited company incorporated in Scotland. The Company is wholly-owned by John Laing Environmental Assets Group (UK) Limited.
John Laing Environmental Assets Group (UK) Limited is a wholly-owned subsidiary of John Laing Environmental Assets Group Limited, a company registered in Guernsey, Channel Islands. The Company invests in environmental infrastructure projects.

RESULT AND DIVIDENDS

The Directors have declared and paid total dividends of £486,000 in the year (year ended 31 March 2016: £1,182,000). The Directors recommended that no final dividend be paid (2016: £nil).

GOING CONCERN

The Directors have considered the use of the going concern basis in the preparation of the financial statements in light of current market conditions and concluded that it is appropriate. In reaching this conclusion, the Directors have specifically considered the Company's relationships with its immediate parent. Refer to Note 2 for further information.

DIRECTORS

The Directors who served throughout the period and up to the date of signing this report are shown on page 1.

EMPLOYEES

The Company had no employees during the year (2016: none).

AUDITOR

Each of the persons who is a Director at the date of approval of this report confirms that:

- as far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Deloitte LLP were appointed auditor at a meeting of the Board of Directors during the year. Deloitte LLP have indicated their willingness to be reappointed as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

On behalf of the Board

Chris Tanner

Christopher James Tanner
Director
1 December 2017

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). 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, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HWT LIMITED

We have audited the financial statements of HWT Limited for the year ended 31 March 2017 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies in the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter 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 the Directors' Report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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.

William Brooks FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
1 December 2017

INCOME STATEMENT
for the year ended 31 March 2017

	Notes	2017 £'000s	2016 £'000s
Operating income	8	**944**	1,811
Operating expenses		**(7)**	(9)
Operating profit	4	**937**	1,802
Net finance costs	7	**(111)**	(139)
Profit before tax		**826**	1,663
Tax	5	**-**	-
Profit for the year		**826**	1,663

All results are derived from continuing operations.

There is no other comprehensive income or expenses in the current year or preceding year other than disclosed above, and therefore no separate Statement of Comprehensive Income has been presented.

The accompanying notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
as at 31 March 2017

	Notes	2017 £'000s	2016 £'000s
Non-current assets			
Investments at fair value through profit or loss	8	**14,267**	14,244
Total non-current assets		**14,267**	14,244
Current assets			
Cash and cash equivalents		**8**	7
Total current assets		**8**	7
Total assets		**14,275**	14,251
Current liabilities			
Trade and other payables	10	**(341)**	(348)
Total current liabilities		**(341)**	(348)
Non-current liabilities			
Loans and borrowings	11	**(772)**	(1,081)
Total non-current liabilities		**(772)**	(1,081)
Total liabilities		**(1,113)**	(1,429)
Net assets		**13,162**	12,822
Equity			
Share capital	12	**-**	-
Retained earnings	13	**13,162**	12,822
Equity attributable to owners of the Company		**13,162**	12,822

The financial statements of HWT Limited, registered number SC187212, were approved by the Board of Directors and authorised for issue on 1 December 2017. They were signed on its behalf by:

Christopher James Tanner
Director
1 December 2017

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2017

	Notes	Share capital £'000s	Retained reserves £'000s	Total equity £'000s
		Year ended 31 March 2017		
Balance at 1 April 2016	13	-	**12,822**	**12,822**
Profit for the year	13	-	**826**	**826**
Total comprehensive profit for the year		-	**13,648**	**13,648**
Dividend paid	6	-	**(486)**	**(486)**
Balance at 31 March 2017		-	**13,162**	**13,162**

	Notes	Share capital £'000s	Retained reserves £'000s	Total equity £'000s
		Year ended 31 March 2016		
Balance at 1 April 2015	13	-	12,341	12,341
Profit for the year	13	-	1,663	1,663
Total comprehensive profit for the year		-	14,004	14,004
Dividend paid	6	-	(1,182)	(1,182)
Balance at 31 March 2016		-	12,822	12,822

CASH FLOW STATEMENT
for the year ended 31 March 2017

	Notes	2017 £'000s	2016 £'000s
Operating profit		**937**	1,802
Adjustments for:			
Increase in accrued interest income		**11**	91
Net gain on investments at fair value through profit or loss	8	**(343)**	(553)
Operating cash flows before movements in working capital		**605**	1,340
Increase/(Decrease) in creditors		**3**	(1)
Net cash inflow from operations		**608**	1,339
Investing activities			
Loan stock and equity repayments received		**309**	464
Interest received		**-**	-
Net cash from investing activities		**309**	464
Financing activities			
Interest paid		**(122)**	(154)
Dividend paid	6	**(486)**	(1,182)
Repayment of loan notes		**(309)**	(464)
Net cash used in financing activities		**(917)**	(1,800)
Net increase in cash and cash equivalents		**-**	3
Cash and cash equivalents at beginning of the period		**7**	4
Cash and cash equivalents at end of the period		**7**	7

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets is approximately equal to fair value.

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

1 GENERAL INFORMATION

HWT Limited ('the Company') is a private limited company limited by shares and was incorporated in Scotland. The Company is wholly-owned by John Laing Environmental Assets Group (UK) Limited, a company registered in England and Wales. John Laing Environmental Assets Group (UK) Limited is a directly wholly-owned subsidiary of John Laing Environmental Assets Group Limited, a company registered in Guernsey, Channel Islands.

The financial statements of HWT Limited for the year ended 31 March 2017 have been prepared on the basis of the accounting policies set out below.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £000.

The financial statements comprise only the result of the Company as its investments are measured at fair value as detailed in the accounting policies below. The Company invests in environmental infrastructure projects that utilise natural or waste resources or support more environmentally friendly approaches to economic activities.

2 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting

The financial statements have been prepared in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and using the historical cost basis, except for the financial instruments classified at fair value through profit or loss and investments at fair value that are stated at their fair value.

The Company has considered the need to prepare consolidated financial statements, however, the Company meets the definition of an Investment Entity under IFRS 10 and as such the Company has adopted Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27). These amendments, endorsed by the EU on 20 November 2013, are effective from 1 January 2014. As a result of adopting the amendments to IFRS 10, IFRS 12 and IAS 27, the Company has not prepared consolidated financial statements and instead recognises its investment in environmental infrastructure project as Investment at fair value through profit or loss rather than at book value.

The following Standards which have not been applied in these financial statements were in issue but not yet effective:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- Amendments to IAS 7: Disclosure Initiative
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements to IFRSs: 2014-2016 Cycle

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2017

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of accounting (Continued)

The Directors determined that the Company continues to meet the definition of an investment entity and adopted the amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Consolidated and Separate Financial Statements. In order to reach this conclusion, the Directors gave consideration and agreed that the Company meets the following key characteristics of an investment entity:

(i) The Company invests solely for the purpose of capital appreciation, investment income, or both;
(ii) The Company does not plan to hold its investments indefinitely; it holds them for a limited period, i.e. there is an exit strategy; and
(iii) The Company measures and evaluates the performance of substantially all its investments on a fair value basis.

Investments held (subordinated debt together with equity) have a finite life. For the PPP asset in the Portfolio, the subordinated debt will mature towards the end of the concession and at the end of the concession the investment will be dissolved. The exit strategy is that investments will normally be held to the liquidation of the project company unless the Company sees an opportunity in the market to dispose of investments. The Company's Board regularly consider whether any disposals should be made.

Following the adoption of the amendments and determination that the Company is an investment entity, the Company recognises its investment as investments at fair value through profit or loss.

The amendments, which are effective for periods commencing on or after 1 April 2016, are permitted to be early adopted.

(i) Investments
IFRS 10 requires the Company to measure its interest in investments at fair value with gains and losses on measurement of investments accounted through profit or loss.

(ii) Loans and subordinated loans
Subordinated loan amounts owed by investments have been included within the fair value of the investment to which it relates. Under IFRS 10 Investment Entities, the debtor has been included in investments. Consequently, the interest revenue associated with the subordinated debt is reported within Operating income in the Income Statement.

(iii) Investments in joint ventures and associates
The Company meets the definition in IAS 28 (Investments in Associates and Joint Ventures) of a venture capital organisation or similar entity and upon initial recognition has designated its investment in joint-venture and associates at fair value through profit or loss. The Company therefore measures its interest in joint ventures and associates at fair value in accordance with IAS39 Financial Instruments: Recognition and Measurement and IFRS 13 Fair Value Measurement, with changes in fair value recognised in profit or loss in the period of the change.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2017

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Going concern

Having reviewed the Company's investment portfolio including the associated future cash requirements and forecast receipts, the Directors are satisfied that they have a reasonable expectation that the Company will have access to adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

As at 31 March 2017 the Company has an investment in one operational project (31 March 2016: one) which yields interest, dividends and loan repayments. The cash flow from the project comfortably covers the Company's expected cash flow requirements for overheads and targeted dividend distribution.

The Company's forecasts and projections taking account of reasonably possible changes in counterparty performance show that the Company expects to be able to continue to operate.

The Directors, at the time of approving the financial statements, are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

c) Revenue recognition

(i) Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time-apportioned basis, using the effective interest rate of the instrument concerned as calculated at the acquisition or origination date. Interest income is recognised gross of withholding tax, if any.

(ii) Dividend income

Dividend income is recognised when the Company's right to receive the payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably). Dividend income is recognised gross of withholding tax, if any, and only when paid by the investment project companies.

(iii) Gains on investments at fair value through profit or loss

Gains or losses that arise from the movement in the fair value of investments are presented separately from interest income and dividend income above.

(iv) Other turnover

Other turnover, which includes fees receivable in respect of management services agreements with project companies, is recognised evenly over the period of the agreement.

Revenue excludes the value of intra-group transactions and VAT.

d) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, deposits held on call with banks and other short-term highly liquid deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents for the purpose of the cash flow statement. Deposits held with original maturities of greater than three months are included in other financial assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2017

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Taxation

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

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

The tax currently payable is based on taxable profit for the period. Taxable profit differs from 'profit before tax' as reported in the Income Statement because of items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities (other than in a business combination) in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the Income Statement except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

f) Borrowing costs
All borrowing costs are recognised in the Income Statement in the period in which they are incurred.

g) Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the instrument expire or the asset is transferred and the transfer qualifies for derecognition in accordance with IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS13 'Fair Value Measurement'.

i) Financial assets
The Company classifies its financial assets in the following categories: fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Investments at fair value through profit or loss
Investments at fair value through profit or loss are designated upon initial recognition as financial assets at fair value through profit or loss in accordance with IFRS. The Company's policy is to fair value both the equity and subordinated debt investments in PPP and environmental infrastructure assets together. Subsequent to initial recognition, the investments are measured on a combined basis at fair value with changes recognised within operating income in the Income Statement.

The Company's investments comprise both equity and debt. Both elements are exposed to the same primary risk, being performance risk. This performance risk is taken into consideration when determining the discount rate applied to the forecast cash flows. In determining fair value we have considered observable market transactions and have measured fair value using assumptions that market participants would use when pricing the asset including assumptions regarding risk. The debt and equity are considered to have the same risk characteristics. As such the debt and equity form a single class of financial instrument for the purposes of disclosure. The Company measures its investment as a single class of financial asset at fair value in accordance with IFRS 13 'Fair Value Measurement'.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2017

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

b) Loans and receivables
Trade receivables, loans and other receivables that are non-derivative financial assets and that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and other receivables'. Loans and other receivables are measured at amortised cost using the effective interest method, less any impairment. They are included in current assets, except where maturities are greater than 12 months after the Balance Sheet date which are classified as non-current assets.

ii) Financial liabilities and equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

a) Equity instruments - share capital and share premium
Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or associated with the establishment of the Company that would otherwise have been avoided are written off against the balance of the share premium account.

b) Financial liabilities
Financial liabilities are classified as other financial liabilities, comprising of:

- Loans and borrowings which are recognised initially at fair value of the consideration received, less transaction costs. Subsequent to initial recognition, loan and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis; and

- Other non-derivative financial instruments, including trade and other payables, which are measured at amortised cost using the effective interest method less any impairment losses.

iii) Fair value estimation
The fair value of financial instruments that are not traded in active markets is derived in one of two ways:

a) Investments at fair value through profit or loss
Fair value is calculated by discounting future cash flows, from investments in both equity (dividends and equity redemptions) and loans (interest and repayments), to the Company at an appropriate discount rate. The discount rates used represent the Company's assessment of the market discount rate for assets with similar characteristics and risk profile adjusted to reflect PPP and environmental infrastructure assets specific risk. Refer to note 8 for details of the area of estimation in the calculation of fair value.

b) Loans and receivables, borrowings and payables
Loans and borrowings are held at amortised cost. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

3 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the application of the Company's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the fair value of assets and liabilities that affect reported amounts. Actual results may differ from these estimates.

Key sources of estimation uncertainties

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Investments at fair value through profit or loss

Fair values for those investments for which a market quote is not available are determined using the income approach which discounts the expected cash flows at the appropriate rate. In determining the discount rate, regard is had to risk free rates, specific risks and the evidence of recent transactions underlying assumptions and discount rates are disclosed in note 8. The Directors have satisfied themselves that the PPP and environmental infrastructure investments share the same investment characteristics and as such constitute a single asset class for IFRS 7 disclosure purposes.

Investment entities
The Directors consider that the Company demonstrates the characteristics and meets the requirements to be considered as an investment entity. Please refer to the accounting policies in note 2 for further detail.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2017

4. OPERATING PROFIT

The operating profit is attributable to the principal activity of the Company, all of which was carried out in the United Kingdom.

The audit fees payable to the Company's auditor for the audit of the Company's annual accounts are £5,300 (31 March 2016: £4,800).
The Company had no employees other than the directors for the current period. There was no directors' remuneration in the current year or preceding year.

5. TAX

Factors affecting tax charge for the year

	At 31 March 2017 £'000s	At 31 March 2016 £'000s
Current Tax		
UK Corporation tax	-	-
Total current tax	-	-
Total charge on profit on ordinary activities	-	-
Factors affecting tax charge for the year		
Profit on ordinary activities before taxation	826	1,663
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (year ended 31 March 2016: 20%)	165	333
Tax effect of		
Non-taxable UK dividends received	(98)	(224)
Non taxable net gain on investments at FV through P&L	(68)	(111)
Losses not recognised as a deferred tax asset	1	2
Total tax for the year	-	-

Since 1 April 2015, the main UK corporation tax rate was 20% and was reduced to 19% on 1 April 2017. The UK Finance Bill enacted in September 2016 reduced the UK Corporation Tax rate from 19% to 17% from April 2020.

The Company has taken the initial recognition exemption which negates the need to recognise deferred tax liability on the interest element of the fair value of the initial investments.

No deferred tax asset has been recognised as the Company is not forecasting to have taxable profits in the forthcoming years.

6. DIVIDENDS

	At 31 March 2017 £'000s	At 31 March 2016 £'000s
Amounts recognised as distributions to equity holders during the year:		
Interim dividend paid of £243,317 (2016: £590,888) per share	487	1,182

The Directors recommended that no final dividend be paid (2016: £nil).

7. NET FINANCE COST

	At 31 March 2017 £'000s	At 31 March 2016 £'000s
Interest expense on loans from immediate parent company	111	139
Net finance cost	111	139

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2017

8. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 March 2017 £'000s	At 31 March 2016 £'000s
Opening balance	**14,244**	14,245
Dividends received from investments*	**(490)**	(1,119)
Interest received from investments*	**(111)**	(139)
Loan stock and equity repayments	**(309)**	(464)
Movement in accrued interest	**(11)**	(90)
Unwind of discount rates and other movements*	**944**	1,811
Carrying amount at 31 March	**14,267**	14,244

*Net gain on investments at fair value through profit or loss for the year ended 31 March 2017 is £343,000 (31 March 2016: gain of £553,000).

The ultimate parent company's Investment Adviser has carried out fair market valuations of the investments as at 31 March 2017. The Directors have satisfied themselves as to the methodology used and the discount rates applied for the valuation. The investments are in environmental infrastructure projects and are valued using a discounted cash flow methodology. The valuation techniques and methodologies have been applied consistently with the methodology used to value the Investments since the launch of the ultimate parent company John Laing Environmental Assets Group Limited in 2014.
At 31 March 2017, discount rates applied across the JLEN Group were in the range of 6.5% to 9.3% (31 March 2016: 6.5% to 9.6%).

The following economic assumptions were used in the discounted cash flow valuations:

	31 March 2017	31 March 2016
Inflation rates - UK	**3.70% for 2017 decreasing to 2.75% from 2019**	2.2% for 2016 and 2.75% from 2017
Deposit interest rates (UK)	**1.5% for 2017, gradually rising to 2.75% from 2019**	1% for 2016, gradually rising to 3.25% from 2019

The UK corporation tax rate assumed in the 31 March 2017 portfolio valuation is 20%, stepping down to 19% in April 2017 and 17% from April 2020 (31 March 2016: 20%).

The fair value of the investment would be an estimated £0.5 million higher or £0.4 million lower (31 March 2016: £0.5 million higher or £0.5 million lower) if the discount rate used in the discounted cash flow analysis were to differ by 0.5% from that used in the fair value calculation. The weighted average discount rate for the ultimate parent's portfolio which include the Company's investments as at 31 March 2017 was 8.2% (31 March 2016: 8.2%).

The fair value of the investments would be an estimated £0.3 million higher (31 March 2016: £0.3 million higher) if the inflation rate used in the discounted cash flow analysis was an absolute 0.5% higher than that used in the fair value calculation, and £0.3 million lower (31 March 2016: £0.3 million lower) if the inflation rate was an absolute 0.5% lower. The inflation rate assumed for all future periods from 31 March 2019 is 2.75% (31 March 2016: 2.75% from 31 March 2017).

Waste water assets do not have significant volume and price risks.

There are no future loan stock or capital commitments on investments held at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2017

9. TRADE AND OTHER RECEIVABLES

The Company have no trade and other receivable at 31 March 2017 (2016: £nil)

10. TRADE AND OTHER PAYABLES

	At 31 March 2017 £'000s	At 31 March 2016 £'000s
Loans and accrued interest due to Parent Company	330	341
Accruals and deferred income	11	7
	341	348

11. LOANS AND BORROWINGS (Non-current liabilities)

	At 31 March 2017 £'000s	At 31 March 2016 £'000s
Non-current liabilities		
Loans from parent company	772	1,081

The loan from Parent Company is repayable in line with a repayment schedule with the final repayment date being 31 December 2019. The loan note agreement fixes the loan interest rate of 9% per annum. The Company has no other outstanding loans or borrowings. Refer to Note 2 for the assessment of whether the fair value of the loans is equivalent to the carry value.

12. SHARE CAPITAL

	At 31 March 2017 £'000s	At 31 March 2016 £'000s
Authorised Issued and fully paid		
2 ordinary shares (31 March 2016: 2 ordinary shares) issued of £1 each	-	-

The Company is authorised to issue an unlimited number of shares.

13. RETAINED EARNINGS

	At 31 March 2017 £'000s	At 31 March 2016 £'000s
Opening balance	12,822	12,341
Net profit for the year	826	1,663
Dividends paid (note 6)	(486)	(1,182)
	13,162	12,822

14. TRANSACTIONS WITH RELATED PARTIES

As a wholly-owned subsidiary of John Laing Environmental Assets Group Limited, the Company has taken advantage of the exemption under IAS 24 (revised), 'Related party disclosures' not to provide information on related party transactions with other undertakings within the John Laing Environmental Assets Group. Note 18 gives details of how to obtain a copy of the published financial statements of John Laing Environmental Assets Group Limited.

The following transactions took place between the Company and its subsidiary during the year:

	2017 £'000	2016 £'000
Cash received		
Subordinated loan interest	123	230
Repayment	309	464
Dividends	490	1,119
Income statement		
Subordinated loan interest	111	139
Dividends	490	1,119
Balance due		
Subordinated loan interest	20	31
Subordinated loan	1,082	1,391

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2017

15. FINANCIAL INSTRUMENTS

CAPITAL RISK MANAGEMENT

Capital management
The Company manages its capital to ensure that it is able to continue as a going concern while maximising the return to the shareholder through the optimisation of the debt and equity balance.

The capital structure of the Company consists of cash and cash equivalents, debt as detailed in note 10 and 11, and equity attributable to equity holders, comprising issued capital, reserves and retained earnings as disclosed in notes 12 and 13.

Gearing ratio
As at the reporting date, the Company had outstanding intercompany debt of £1,102,000 (31 March 2016: £1,422,000) which represented a gearing ratio of 8% (2016: 10%).

FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and inflation risk), credit risk, liquidity risk, and capital risk. The Company's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The financial risks of the Company's investments are hedged at the inception of a project. The various types of financial risk are managed as follows:

Market risk - interest rate risk

The Company's interest rate risk arises on the floating rate deposits. The Company does not have borrowings issued at variable rates and therefore is not subject to interest rate risk on its liabilities.

The Company's asset investment hedges their interest rate risk at the inception of a project. This will either be done by issuing fixed rate debt or variable rate debt which will be swapped into fixed rate by the use of interest rate swaps.

The sensitivity of the portfolio of investments to movements in interest rates is marginal and has not been disclosed.
A sensitivity analysis on the interest rate risk has not been reported due to the low materiality of the risk.

Market risk - inflation risk
The investments will typically have part of its revenue and some of its costs linked to a specific inflation index at inception of the project. In most cases this creates a natural hedge, meaning a derivative does not need to be entered into in order to mitigate inflation risk.

For a sensitivity analysis of investments at fair value through profit or loss, refer to Note 8.

Credit risk
Credit risk is the risk that a counterparty of the Company or its subsidiaries will default on its contractual obligations it entered into with the Company or its subsidiaries. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers. The Company and its subsidiaries mitigate their risk on cash investments and derivative transactions by only transacting with major international financial institutions with high credit ratings assigned by international credit rating agencies.

The Company's investments receive regular, long-term, partly or wholly index-linked revenue from government departments, public sector, local authority or clients under the Renewables Obligation and Feed-in Tariff regimes. The Directors believe that the Company is not significantly exposed to the risk that the customers of its investments do not fulfil their regular payment obligations because of the Company's policy to invest in jurisdictions with satisfactory credit ratings.

Given the above factors, the Board does not consider it appropriate to present a detailed analysis of credit risk.

Capital risk
The Company has implemented an efficient financing structure that enables it to manage its capital effectively. The Company's capital structure comprises equity and near equity (loan notes). As at 31 March 2017, the Company had £772,000 debt under its shareholder loan. The Company's parent company's ability to raise equity in the stock market will allow to mitigate the capital risk of the Company.

Cash flow risk
The Company's cash-flow risk arises as turnover of the project company has a variable element based on chargeable flows, therefore the weather will have bearing on income which is the principal uncertainty faced by the project.

Price risk
The Company's price risk arise from Company's investment, which has price risk managed through a thirty year project agreement with Scottish Water providing for payments that are fixed subject to performance and inflation indexation and through sub-contracts with suppliers that largely mirror the provisions of the project agreement with Scottish Water.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2017

15. FINANCIAL INSTRUMENTS (CONTINUED)

a) Financial instruments by category:

		Year ended 31 March 2017			
		Cash and bank balances £'000s	**Financial assets at FVTPL* £'000s**	**Financial liabilities at amortised cost £'000s**	**Total £'000s**
	Levels	**1**	**3**	**1**	
Non-current assets					
Investments at fair value through profit or loss (Level 3)		-	**14,267**	-	**14,267**
Current assets					
Trade and other receivables		-	-	-	-
Cash and cash equivalents		**8**	-	-	**8**
Total financial assets		**8**	**14,267**	-	**14,275**
Current liabilities					
Trade and other payables		-	-	**(341)**	**(341)**
Non-current liabilities					
Interest bearing loans and borrowings		-	-	**(772)**	**(772)**
Total financial liabilities		-	-	**(1,113)**	**(1,113)**
Net financial instruments		**8**	**14,267**	**(1,113)**	**13,162**

		Year ended 31 March 2016			
		Cash and bank balances £'000s	Financial assets at FVTPL* £'000s	Financial liabilities at amortised cost £'000s	Total £'000s
	Levels	1	3	1	
Non-current assets					
Investments at fair value through profit or loss (Level 3)		-	14,244	-	14,244
Current assets					
Trade and other receivables		-	-	-	-
Cash and cash equivalents		7	-	-	7
Total financial assets		7	14,244	-	14,251
Current liabilities					
Trade and other payables		-	-	(348)	(348)
Non-current liabilities					
Interest bearing loans and borrowings		-	-	(1,081)	(1,081)
Total financial liabilities		-	-	(1,429)	(1,429)
Net financial instruments		7	14,244	(1,429)	12,822

** FVTPL = Fair value through profit or loss*

The above table provides an analysis of financial instruments that are measured subsequent to their initial recognition at fair value as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs to the asset or liability that are not based on observable market data (unobservable inputs).

There were no Level 1 assets or liabilities during the period. There were no transfers between Level 1 and 2, Level 1 and 3 or Level 2 and 3 during the year.

In the table above, financial instruments are held at carrying value as an approximation to fair value unless stated otherwise.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2017

15. FINANCIAL INSTRUMENTS (CONTINUED)

a) Financial instruments by category (continued):

Reconciliation of Level 3 fair value measurement of financial assets and liabilities

An analysis of the movement between opening to closing balances of the investments at fair value through profit or loss is given in note 8. For financial assets at fair value through profit or loss, changing the discount rate used to value the underlying instruments would alter the fair value.

The investments at fair value through profit or loss, whose fair values include the use of level 3 inputs, are valued by discounting future cash flows from investments in both equity (dividends and equity redemptions) and loans and subordinated loans (interest and repayments) to the Company at an appropriate discount rate. The discount rate is considered the most significant unobservable input through which an increase or decrease would have a material impact on the fair value of the investments at fair value through profit or loss. At 31 March 2017, the weighted average discount rate applied across the JLEN Group was in the range of 6.5% to 9.3% (31 March 2016: 6.5% to 9.6%).

For a sensitivity analysis of Financial Assets at fair value through profit or loss, refer to note 8.

16. GUARANTEES AND OTHER COMMITMENTS

As at 31 March 2017 the Company had no commitments (31 March 2016: none).

17. SERVICE CONCESSION ARRANGEMENTS

The Company holds an investment in a service concession arrangement. The concession requires the construction and operation of an asset during the concession period. The operation of the asset includes the provision of facilities management services. At the end of the concession period on the majority of the concessions the assets are returned to the concession provider. As at 31 March 2017 the service concession was fully operational (31 March 2016: all).

The rights of both the concession provider and concession operator are stated within the specific project agreement. The standard rights of the provider to terminate the project include poor performance and in the event of force majeure. The operator's rights to terminate include the failure of the provider to make payment under the agreement, a material breach of contract and relevant changes of law which would render it impossible for the service company to fulfil its requirements.

Sector	Company name	Project name	% owned	Short description of concession arrangement	Start date	End date	No. years
Waste water treatment	Catchment Tay Limited	Tay	33.3%	Waste water treatment	16-Dec-1999	16-Dec-2029	30

18. ULTIMATE PARENT UNDERTAKING

The Company's immediate parent company is John Laing Environmental Assets Group (UK) Limited, a company incorporated in England and Wales.

The Company's ultimate parent and controlling entity is John Laing Environmental Assets Group Limited, a company incorporated in Guernsey, Channel Islands.

Copies of the accounts of John Laing Environmental Assets Group Limited are available from the website www.jlen.com.

19. INVESTMENTS IN SUBSIDIARY AND JOINT VENTURE

Name of subsidiary and Joint Ventur	Registered Office	Category	Place of business	Ownership interest	Voting rights
Catchment Tay Holdings Limited*	Infrastructure Managers Limited, 2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF	Project holding	UK	33.3%	33.3%
Catchment Tay Limited**		Operating company	UK	33.3%	33.3%

* Directly held subsidiary
** Indirectly held joint venture

20. POST BALANCE SHEET EVENTS

There are no significant events since the year end which would require to be disclosed.