AQUA RESOURCES FUND LIMITED

Annual Report and Audited Consolidated Financial Statements

For the year ended 31 December 2013

The Company is a Guernsey domiciled Authorised Closed-ended investment scheme pursuant to section 8 of the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended and rule 6.02 of the Authorised Closed-ended Investment Schemes Rules 2008.

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MANAGEMENT AND ADMINISTRATION

DIRECTORS:	Hasan Askari *(Chairman)* Fergus Dunlop Charles Parkinson *all of whom are independent non-executive directors*
REGISTERED OFFICE:	Sarnia House Le Truchot St. Peter Port Guernsey GY1 4NA
MANAGER:	FourWinds Capital Management Floor 4, Willow House, Cricket Square PO Box 268 George Town Grand Cayman KY1-1104 Cayman Islands
SOLICITORS TO THE COMPANY: (as to English Law)	Herbert Smith LLP Exchange House Primrose Street London EC2A 2HS United Kingdom
ADVOCATES TO THE COMPANY: (as to Guernsey Law)	Mourant Ozannes 1 Le Marchant Street St. Peter Port Guernsey GY1 4HP
ADMINISTRATOR AND COMPANY SECRETARY:	Praxis Fund Services Limited Sarnia House Le Truchot St Peter Port Guernsey GY1 4NA
INDEPENDENT AUDITORS:	PricewaterhouseCoopers CI LLP Royal Bank Place 1 Glategny Esplanade St Peter Port Guernsey GY1 4ND
REGISTRAR:	Capita Registrars (Guernsey) Limited PO Box 627 Mont Crevelt House Bulwer Avenue St. Sampson Guernsey GY2 4LH
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HIGHLIGHTS OF 2013

RESULTS AND ACTIVITIES OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2013

COMPANY DETAILS AND INVESTMENT OBJECTIVE – SUMMARY

Aqua Resources Fund Limited (the “Company” or “Aqua”) is an investment vehicle with an independent board of Directors and a concentrated portfolio of water-related, primarily private equity style investments. The Company provides investors with exposure to a compact but diverse portfolio of water companies globally. Full details of the Company’s investment objective and policy are set out on pages 25 to 26.

FINANCIAL HIGHLIGHTS OF 2013

Funds invested as a percentage of net assets	**91.7 per cent**
Depreciation of investments during the year	**€0.3 million**
Number of transactions closed during the year	**Nil**
Net asset value per Ordinary Share of the Company as at 31 December 2013	**€0.5305**

The net asset value (“NAV”) of €0.5305 per Ordinary Share of the Company (“Ordinary Share”) at 31 December 2013 showed a decrease of 1.7 per cent over the year.

GENERAL HIGHLIGHTS OF 2013

- On 11 January 2013 the Company received a non-refundable deposit payment of US$1 million from the Ranhill Group in connection with the potential sale of the Company’s stake in RWT. On that date, Aqua’s wholly-owned subsidiary Robinson Investments Limited (“Robinson”) entered into a conditional sale and purchase agreement with the Ranhill Group pursuant to which the Ranhill Group agreed to acquire Robinson’s entire shareholding in RWT of 14,880,000 shares representing 45.2 per cent of the issued and paid-up capital of RWT for a cash consideration of US$31,659,574. The transaction was conditional upon, among other things, the proposed Ranhill Energy IPO and the use of part of the proceeds of the proposed IPO for payment of the consideration. On 26 July 2013 Ranhill Energy decided to withdraw the Ranhill Energy IPO, resulting in the postponement of the sale of the Company’s stake in RWT after the original deadline of 14 August 2013. The Directors have continued to engage Ranhill on a revival of the sale transaction.

- On 4 September 2013, CHC received a preliminary non-binding proposal letter from NewQuestCapital Partners, through its affiliated entity, CPI Ballpark Investments Ltd, and on behalf of its affiliates and the funds managed by it (collectively, “NewQuest”). The proposal letter indicated that NewQuest is interested in acquiring all of CHC’s outstanding ordinary shares not currently owned by NewQuest, including ordinary shares represented by the Company’s American Depositary Shares (“ADS”), each representing three ordinary shares, at a price of US $0.99 in cash per ordinary share or US$2.97 in cash per ADS. On 13 January 2014, CHC announced that it had entered into a definitive Agreement and Plan of Merger with NewQuest pursuant to which NewQuest will acquire CHC for US$1.17 per ordinary share or US $3.51 per ADS, subject to regulatory approval.

- At 31 December 2013 the Company had invested approximately 92 per cent of its net assets.

- At 31 December 2013, the audited NAV per Ordinary Share of the Company was €0.5305 per Ordinary Share.

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

The year in review

The global economy's recovery inched forward in 2013, with fast-growing emerging markets losing pace while developed nations gained strength. In 2013, central banks in the US, Japan and Europe showered money on their economies, held interest rates low and promised to continue adopting such monetary policies whilst recovery remains tepid almost five years after the worst recession since the Great Depression. As the year unfolded, the euro zone limped out of recession whilst the Chinese economy expanded at the slowest rate in 20 years, crimping growth across the Asian region. Despite these contrasting fortunes, the overall global economy appeared to be on a surer footing as the year ended. The International Monetary Fund forecasts that world output will grow 3.6% in 2014, compared with a 2.9% estimate for 2013.[1]

During this period the Company actively managed its portfolio of investments, which are diversified across the supply, use and treatment of water and wastewater.

During the year, the sale of the Company's shares in RWT was not consummated, as the Ranhill Group decided to withdraw the IPO of Ranhill Energy & Resources ("Ranhill Energy") and as a result, did not have the financial resources to complete the transaction. The Board chose not to extend the completion deadline and the Company has retained the non-refundable deposit of US$1 million. Over the course of the year, we continued to engage the Ranhill Group in indicative price discussions for a near-term sale. Subsequently, in March 2014, the Ranhill Group announced that they were pursuing a reverse takeover of an existing listed company to obtain a listing on the Kuala Lumpur Stock Exchange. Further details are available in the Manager's report.

In September 2013, CHC received a preliminary non-binding offer from its largest shareholder, NewQuest Capital Partners ("NewQuest"), to buy the stock it does not own in cash. A Special Committee of the CHC Board was formed to evaluate the NewQuest proposal and other strategic alternatives. This culminated in the CHC Board, in January 2014, unanimously recommending the NewQuest offer at an increased offer price. Further details are available in the Manager's report.

The Company ended the year with liquid funds of approximately €2.2 million, representing approximately 5.6 per cent of its net assets.

Year end 31 December	Net assets attributable to Ordinary Shareholders €	NAV per Ordinary Share €	Ordinary Share price[2] €	Increase/(Decrease) in Net Asset Value €
2011	68,831,602	0.9499	0.33	(12,704,141)
2012	39,106,061	0.5397	N/A	(29,725,541)
2013	38,442,946	0.5305	N/A	(663,115)

Valuation

The Company's NAV is based on the fair value of unquoted investments, as well as one listed investment which is marked to market, as at the reporting date. These have been valued using the International Private Equity and Venture Capital Valuation ("IPEV") guidelines[3] and details as to how the Company applies these guidelines are more fully described on pages 37 and 38 of this Annual Report.

Detailed valuations are prepared by the Manager, using multiples and other techniques for a range of selected comparable companies, applying a discount to market multiples to reflect the illiquid nature of the investments. These valuations are reviewed thoroughly internally before they are presented to the Company's Audit Committee which then scrutinises these valuations in detail, calls for further evidence where needed and approves or adjusts such valuations where it considers appropriate. Once this process is completed and signed off by the Audit Committee, the Board discusses and, if appropriate, adopts the valuations recommended by the Audit Committee for the purposes of the financial statements of the Company. The Board believes the valuation process is rigorous, consistently applied and conforms to IPEV guidelines.

[1] Source: The Wall Street Journal "Year in Review: Developed Economies Retake Growth-Engine Role" 30 December 2013.
[2] Closing share price at year end. In November 2012 the Company delisted from the London Stock Exchange.
[3] IPEV guidelines (December 2012) can be found on www.privateequityvaluation.com.

CHAIRMAN'S STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

Valuation (continued)

The Company's interest in Waterleau comprises a convertible bond, with accrued interest, repayable in 2016. During the year, Waterleau experienced headwinds in their traditionally strong growth markets of Middle East and North African ("MENA") with orders slow in coming in. The trade receivable concerns in their projects in MENA carried over from the previous financial year have gradually been resolved over the course of this year. Waterleau has been valued on the basis of the convertible bond principal, plus accrued interest, with a 30% discount applied in respect of credit and liquidity risk.

RWT has had a rather poor operational year relative to historical performance. Revenues declined 53.9 per cent owing to delays in starting new projects. This is mainly attributable to RWT's lack of ability to secure equity financing to build out their large pipeline of projects, resulting in lower construction revenues in the year. On the basis that a Heads of Agreement has been signed in relation to a potential reverse takeover deal that would give Ranhill the funds to complete the purchase of the Company's stake in RWT, the Board has determined to value RWT on the basis of previously agreed sale values, with a 50% discount for execution risk. The Board felt that an increased risk discount was appropriate because of the significantly increased uncertainty over the completion of the deal.

CHC experienced a turnaround year in 2013 as a direct result of management changes and cost cutting measures put in place by the new board of directors after the company's proxy battle in 2012. CHC's share price has increased by 56 per cent during the year.

The Board has determined that the valuation of In-Pipe Technology Inc. ("IPT") does not warrant a significant increase despite a marked improvement in EBITDA and have adjusted valuations to increase in tandem with revenue growth before currency translation impact. We intend to revisit the valuation when there is increased evidence that IPT's improved performance in 2013 is capable of being sustained.

Bluewater Bio International ("BBI") has not shown sufficient signs of sustained improvement for the Board to consider writing back our investment. We will continue to monitor developments at BBI on a regular basis and review this decision if we see any sign of sustained improvement in performance in the next financial year.

Figure 3 on page 22 sets out an analysis of unrealised movements in the investment portfolio for the year ended 31 December 2013.

Net asset value

At 31 December 2013, the NAV per Ordinary Share was €0.5305 (€0.5397 at 31 December 2012). This represents a decline of 1.7 per cent in the NAV year on year.

I would like to draw the particular attention of shareholders to the basis on which the valuations have been derived, as set out in the Auditors' Report on pages 28 and 29 and in Note 3 to the Accounts.

Dividend policy and dividends

The Company's dividend policy states that the Directors expect returns to be reinvested and accordingly no dividends have been announced, declared or paid in the period.

However, in accordance, with the proposals outlined in the shareholder circular dated 20 September 2012 issued prior to the Company's delisting (the "Circular") and passed by the EGM on 12 October 2012, the Board intends to return the capital proceeds of realising the Company's investments (net of fees and expenses) to shareholders in an efficient manner over time (subject to retaining proceeds, as needed, in order to meet the Company's follow-on commitments or other obligations of the Company from time to time).

Relationship with shareholders, portfolio companies and Manager

The Board, acting through the Chairman, increased its efforts to engage with shareholders and now has an active dialogue with over 80 per cent of the Company's register. The views of the principal shareholders on the future of the Company continue to inform the decisions of the Board. Similarly, the Chairman has pursued a periodic dialogue with the portfolio companies, supplementing the efforts of the Manager, to develop a better understanding of each portfolio company's prospects and potential. Shareholders should also be aware that the Board has served notice of termination on the Manager, Four Winds Capital Management (Cayman), such notice to expire in July 2015. This was the first available opportunity under the terms of the Investment Management Agreement for the Board to serve such notice. This notice of termination has been duly acknowledged by the Manager. There has also been, in recent months, a change of personnel in (and, we are led to believe, a change in ownership of) the Manager. These changes have led to an increased level of oversight and involvement on the part of the Board in the affairs of the Company.

CHAIRMAN'S STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

Outlook
The Board remains fully committed to our medium-term strategy to realise the Company's investments and return capital proceeds to shareholders. During the course of this year, the Board will actively pursue transactions that meet this objective.

Hasan Askari
Chairman
30 April 2014

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

The Directors of the Company present their annual report and the audited consolidated financial statements for the year ended 31 December 2013.

The Company was incorporated on 12 June 2008 with registered number 49038 and is domiciled and incorporated in Guernsey, Channel Islands. The Company is a closed-ended investment company with limited liability formed under Guernsey company law. On 24 July 2008 the Company's Ordinary Shares were admitted to the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange. On 12 November 2012 the Company cancelled its listing on the Official List and its shares are no longer publicly traded.

Principal activity and business review

The principal activity of the Company during the year was that of an investment company. Following an EGM on 12 October 2012, the Company's investment objective is to achieve an orderly management and disposal of its concentrated portfolio of water-related investments and return the proceeds to shareholders, net of fees and expenses. A review of the year is provided in the Manager's Report. The Company expects to continue its activities in the coming year.

Results and dividends

The results for the year are shown in the Consolidated Statement of Operations on page 33 and the Company's financial position at the end of the year is shown in the Consolidated Statement of Assets and Liabilities on page 30.

The Directors have historically taken the view that returns would be reinvested and a dividend would not be payable. Indeed, since the date of incorporation of the Company, there has been no dividend or distribution of any kind declared, paid or made by the Company. However, following the cancellation of the Company's listing on the Official List in November 2012, the Directors have resolved that, whenever practicable, future returns would be paid to shareholders by way of dividend or capital distribution. Where any dividend or other distribution is to be paid, it is expected to be paid in Euros and in accordance with the Companies (Guernsey) Law, 2008 (the "Law") and any other applicable laws.

Directors

The Directors of the Company, all of whom served throughout the year, were:

Hasan Askari *(Chairman)*
Fergus Dunlop
Charles Parkinson

All of the Directors are independent non-executive directors.

The Directors' interests in the share capital of the Company at 31 December 2013 were:

Hasan Askari	62,500 Ordinary Shares

None of the Directors has, or has had, an interest in any transaction which is, or was, unusual in its nature or conditions, or significant to the business of the Company, or which has been effected by the Company since its incorporation.

The Directors are entitled to receive, and have received during the year, the following fees from the Company ("Directors' Fees"):

Director	Per annum fees entitlement (in £)	Fees paid during the year (in £)	Fees paid during the year (in €)	Fees payable at the end of the year (in £)	Fees payable at the end of the year (in €)
Hasan Askari	60,000	60,000	71,483	-	-
Fergus Dunlop	30,000	30,000	35,742	-	-
Charles Parkinson	30,000	30,000	35,742	-	-

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

Directors (continued)

The Company reserves the right to pay Mr Askari's Directors' Fee in shares but did not do so during either 2012 or 2013. All of the Directors are also entitled to be paid all reasonable expenses properly incurred by them in attending general meetings, Board or committee meetings or otherwise in connection with the performance of their duties. The Board may determine that additional remuneration may be paid, from time to time, to any one or more Directors in the event such Director or Directors are requested by the Board to perform extra or special services on behalf of the Company.

Share Capital

The share capital of the Company is represented by an unlimited number of Ordinary Shares of no par value which are denominated in Euros. At 31 December 2013 and 31 December 2012 there were 72,464,340 Ordinary Shares in issue.

Share issues, pre-emption rights and share repurchases

The Articles of Incorporation have granted authority to the Directors, pursuant to the Guernsey Company Law, to allot an unlimited number of Ordinary Shares (including warrants, options and other rights in respect of such shares). This authority has a term of five years from the date of adoption of the Articles of Incorporation on 23 March 2011 (that is, until 22 March 2016).

In 2011, the Company introduced pre-emption rights in respect of all new Ordinary Share issues for cash. The pre-emption rights introduced in the Articles of Incorporation were, at the same time, disapplied in respect of new issues of Ordinary Shares for cash, subject to the disapplication being limited to a proportion of any new issue of Ordinary Shares that represented approximately 5 per cent of the issued share capital of the Company (including treasury shares) at that time, being 3,623,217 Ordinary Shares. This disapplication expired at the conclusion of the 2013 Annual General Meeting of the Company (the "2013 AGM").

Substantial interests in share capital

At 16 April 2014 the following holdings, each representing more than 3 per cent of the Company's issued share capital, were recorded in the Company's register of members.

	Number of Ordinary Shares	Percentage of Ordinary Share capital
HSBC Global Custody Nominee (UK) Limited	21,500,000	29.67
The Bank of New York (Nominees) Limited	11,000,000	15.18
Chase Nominees Limited	10,910,316	15.06
JP Morgan Asset Management Holdings Inc.	9,510,316	13.12
Nortrust Nominees Limited	7,500,000	10.35
FourWinds Capital Management	3,685,000	5.09
HSBC Global Custody Nominee (UK) Limited	2,973,850	4.10

As at 16 April 2014, West Midlands Metropolitan Authorities Pension Fund ("West Midlands") is a beneficial holder of 29.67 per cent of the issued Ordinary Shares of the Company and is therefore a related party of the Company on account of the size of its beneficial holding in the Company.

As at 16 April 2014, JP Morgan Asset Management Holdings Inc. is a beneficial holder of 26.25 per cent of the issued Ordinary Shares of the Company through its nominee holdings and accordingly is also a related party of the Company on account of the size of its beneficial holding in the Company.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

The Manager
The Manager has been appointed as the discretionary investment manager of the Company pursuant to the terms of an Investment Management Agreement (the "Management Agreement"). Please refer to Note 5 on page 43 for further details of the Management Agreement. The Directors continue to monitor the performance of the Manager on an ongoing basis. On 13 June 2013, in accordance with the terms of the Management Agreement and in order to allow the Company flexibility upon the expiry of that Agreement on 20 July 2015, the Board served two years' notice on the Manager to terminate the Management Agreement.

Independent Auditors
PricewaterhouseCoopers CI LLP ("PWC CI") were appointed on 7 November 2011 as auditors of the Company and have expressed their willingness to continue in office. The Company did not hire PWC CI to perform other consulting or non-audit services. PWC CI have charged €30,103 for the completion of the 2013 year end audit (2012: €27,713) and have not received any further fees for non-audit related services (2012: €Nil). During the prior year PricewaterhouseCoopers LLP, a member firm of the PWC network, received a fee of €11,529 for performing a review of certain of the valuations of the Company's portfolio investments as at 30 June 2012.

Going Concern
The Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future and, after due consideration, believe it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

Corporate Governance
As explained in the Circular to Shareholders dated 20 September 2012, despite delisting the Company, the Directors intend to continue to follow the principles and provisions of the UK Corporate Governance Code issued by the Financial Reporting Council in June 2010 (the "Code").

Overseas companies listed on the Official List are required, under the Listing Rules, to 'comply' or 'explain' against the Code. An update to the Code was released on 28 September 2012 and this update has become effective in the current financial year. The Directors place a high degree of importance on ensuring that high standards of corporate governance are maintained and have considered the principles and recommendations of the Code. Furthermore, the Directors have considered the provisions of the Finance Sector Code of Corporate Governance published by the Guernsey Financial Services Commission (the "GFSC") in September 2011 (the "Guernsey Code").

As at 31 December 2013 the Company complied substantially with the relevant provisions of the Code and, with the exception of those listed below, it is the intention of the Board that the Company will comply with those provisions throughout the year ending 31 December 2014:

- *Appointment of a Senior Independent Director:* The Board comprises three independent, non-executive directors, therefore the Board does not consider it necessary to appoint a Senior Independent Director.
- *Establishment of a separate nomination committee and remuneration committee:* Due to its size, the Board does not consider it necessary to establish a separate nomination or remuneration committee. Matters which would otherwise be delegated to such committees are considered by the Board as a whole.
- *Internal audit function:* The Board has considered the need for an internal audit function, as recommended by the Code. Due to the key functions of the Company being delegated to regulated service providers, an internal audit function is not considered necessary at this stage. The Directors will continue to monitor the systems of internal control in place.

Since all the Directors are non-executive, in accordance with the Code, the provisions of the Code on the role of the chief executive and, except in so far as they apply to non-executive Directors, on Directors' remuneration, are not relevant to the Company, and are not reported on further. Accordingly this Annual Report is not required to, and does not, contain a separate remuneration report.

Voting rights for portfolio investments
The Manager carefully considers the exercise of voting rights in relation to the Company's portfolio and votes, or refrains from voting, based on a case by case examination, using its best commercial and financial judgment, of the best long-term interests of the Company and its shareholders.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

Voting rights for portfolio investments (continued)

Typically the Manager will, when making voting decisions, examine the strategic focus and operating performance of the relevant portfolio company, its corporate governance and remuneration framework and its communications and reporting structures.

The Board

The Board will generally meet at least four times a year, at which time the Directors review the management of the Company's assets and all other significant matters so as to ensure that the Directors maintain overall control and supervision of the Company's affairs. The Board is responsible for the appointment and monitoring of all service providers to the Company. Between these quarterly meetings there is periodic contact with the Manager. The Directors are kept fully informed of investment and financial controls and other matters that are relevant to the business of the Company and should be brought to the attention of the Directors. The Directors also have access to the Company Secretary (through its appointed representatives who are responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with) and, where necessary in the furtherance of their duties, to independent professional advice at the expense of the Company.

In accordance with the Company's Articles of Incorporation, at each annual general meeting of the Company all the Directors who held office at the two preceding annual general meetings and did not retire shall retire from office and may be available for re-election at the same meeting. No Directors are required to retire under this rule in 2014.

The Company's Audit and Management Engagement Committees (the "Committees") each comprise all three Directors. Mr Charles Parkinson acts as Chairman of the Audit Committee, Mr Fergus Dunlop of the Management Engagement Committee. The Audit Committee meets formally at least three times a year and the Management Engagement Committee meets at least once a year. The principal duties of the Audit Committee, which are outlined in the terms of reference, are to consider the appointment of external auditors (the "Auditors"), to discuss and agree with the auditors the nature and scope of the audit, to keep under review the scope, results and cost effectiveness of the audit and the independence and objectivity of the auditors, to review the auditors' letter of engagement and management letter, internal control systems pertinent to the preparation of accurate financial statements and the management of the Company, to approve the remuneration of the auditors and to review the Company's annual report and audited consolidated financial statements as well as unaudited interim financial reports. Where non-audit services are to be provided by the auditors, full consideration of the financial and other implications on the independence of the auditors arising from any such engagement will be considered by the Audit Committee before proceeding. The terms of reference are available for review at the registered office of the Company.

The Management Engagement Committee will also consider the continued appointment and remuneration of, and the key procedures adopted by the Manager and the other service providers to the Company. The terms of reference are available for review at the registered office of the Company.

The remit of the Investment Monitoring Committee is, inter alia, to monitor compliance with the Investment Objective and Policy, standing instructions and other investment guidelines set by the Board and to advise the Board accordingly. The Committee is chaired by the Chairman and has as its other members a representative from each of JP Morgan Asset Management Holdings Inc. and the Manager.

Each Director's performance is reviewed annually by the Chairman and the performance of the Chairman is assessed by his fellow Board colleagues in the same time scale.

Attendance at the Board and the Committee meetings for the year ended 31 December 2013 was as follows:

	Number of meetings held	H Askari	F Dunlop	C Parkinson
Quarterly Board Meetings	4	4	4	4
Ad hoc Board Meetings	-	-	-	-
Management Engagement Committee Meetings	2	2	2	2
Audit Committee Meetings	5	5	5	5

The Board has a breadth of experience relevant to the Company and the Directors believe that any foreseeable changes to the Board's composition can be managed without undue disruption. With any new director appointment to the Board, consideration is given as to whether an induction process is appropriate.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

Internal Controls
It is the role of the Audit Committee to ensure that the internal control systems of the service providers are adequate, to receive reports from the Company's service providers covering internal control systems and procedures supported and as appropriate, by Assurance Report on Controls under International Standard on Assurance Engagements. In light of the above, it is the role of the Audit Committee to review the Company's statement on internal controls prior to endorsement by the Board.

The Board recognises the need for effective high level internal controls. High level controls in operation at the Company include:

- Segregation of duties between relevant functions and departments within the Administrator and the Manager.
- Consideration of the compliance reports, administration reports, and portfolio valuations provided by the Administrator.
- Consideration of the Manager's reports and analysis.

The Administrator has a number of internal control functions including a dedicated Compliance Officer who is appointed as a statutory requirement and whose role is determined by the Guernsey Financial Services Commission which includes the maintenance of a log of errors and breaches which are reported to the Board at each quarterly Board meeting.

The Board reviews the effectiveness of the Company's internal control systems on an ongoing basis. Procedures are in place to ensure that necessary action is taken to address any significant weaknesses identified in the control framework. The Board is not aware of any significant failings or weaknesses in the Company's internal controls in the period under review. The Board recognises that the internal controls framework is designed to manage rather than to eliminate relevant risks.

Statement of Directors' Responsibilities
The Directors are responsible for preparing the consolidated financial statements in accordance with applicable Guernsey Company Law and generally accepted accounting principles.

Guernsey Company Law requires the Directors to prepare consolidated financial statements for each financial period which 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 such consolidated financial statements the Directors should:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements;
- prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- disclose that there is no relevant audit information of which the Company's auditor is unaware; and
- disclose that they have taken reasonable steps they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the consolidated financial statements have been properly prepared in accordance with Guernsey Company Law. 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.

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

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

Statement of Directors' Responsibilities (continued)
The Directors confirm to the best of their knowledge:

- The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP");
- The consolidated financial statements have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities and financial position and profit or loss of the Company;
- The Chairman's Statement and Directors' Report include a fair review of the development and performance of the business and position of the Company together with the description of the principal risks and uncertainties that the Company faces; and
- So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all reasonable steps he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Signed on behalf of the Board of Directors by:

Charles Parkinson
Director
30 April 2014

MANAGER'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

Objective

The Company gives the investor a unique access to the steadily growing private water and wastewater treatment sector by investing in businesses that are established globally or locally with potential to grow outside their core markets, and have a successful track record in delivering solutions to their clients.

We believe that the Company's approach will reward investors with strong performance in the long-term.
The Company's portfolio is managed by FourWinds Capital Management, a Cayman Islands exempt limited company.

Manager's strategy

The Manager seeks to achieve the investment objective of the Company by providing shareholders with a pure exposure to the long-term capital appreciation of water companies through diversified exposure to a global portfolio of growth capital water-related investments.

By spending significant time on each investment, the Manager believes that the investments will deliver superior value.

The Manager has put together a team of seasoned investment professionals specialised in the environmental sector with a particular focus on water, wastewater, resource recovery and sustainable resources solutions, as well as individuals dedicated to operations and risk management.

Manager's market commentary[4]

The global water sector is still facing a variety of challenges. The world's population will increase by around 2.5 billion people by the year 2050. Demand for food, energy and all types of consumer goods and services will rise as a consequence. This will ultimately mean an increase in demand for water – in the face of a limited supply of this vital resource. Usage conflicts are inevitable, and will become more acute on account of wasteful use and pollution. Investments in water infrastructure as a whole will have to increase over the next few decades to be able to satisfy the growing demand. Naturally, the focus of investment in industrialised countries differs from that in developing countries and emerging markets.

One of the focuses should consider the China market, as it is highly possible that other factors such as urbanisation might drive stronger demand growth to 2020. Urbanisation converts greater numbers of the population to urban dwellers and hence may imply higher per capita energy and water consumption. We see industrial efficiency gains as more than compensating for a possible increase in energy and water demand due to urbanisation.

We believe China is starting a decade-long "green-cycle" in environment. In the coming years, while urbanisation consumption is upgraded, catch-up in the waste collection and treatment rates will drive strong growth in waste water demand, with average treatment demand expanding at approximately 30 per cent compounded average growth rate ("CAGR"). The story does not stop in 2015 — we estimate nearly two-thirds of the waste treatment market potential in China will be left untouched after completion of 2015 targets. Investment in the sector is not just defensive versus economic cycles, it also has potential for sustainable earnings growth, along with emerging strong local operators/players as the sector develops.

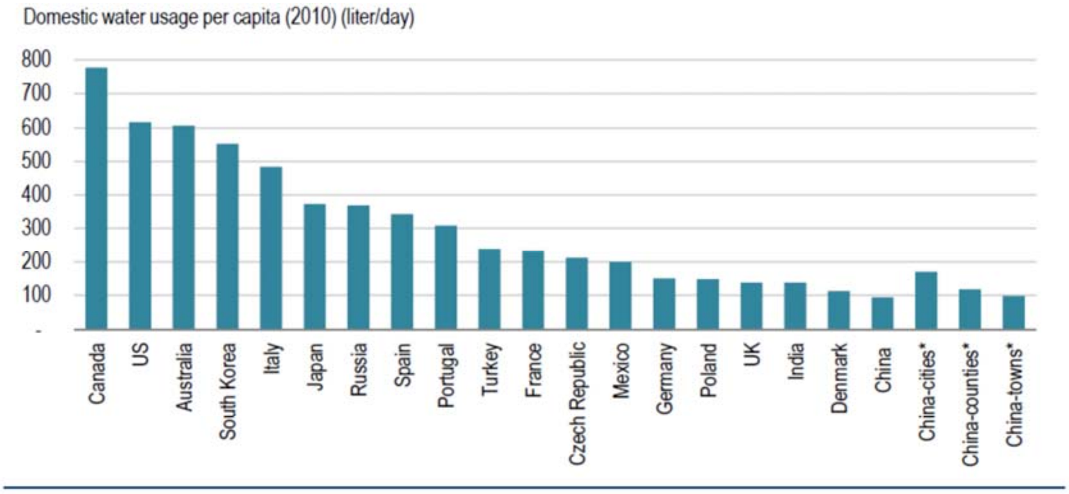
Key drivers in the water sector of China include: increased waste water treatment ratio to 85 per cent for cities; improved utilisation of waste water treatment plant to 60-75 per cent; upgrading selected existing waste water treatment plants; and adding 45.7 million cubic metres per day ("m m^3/day") new treatment capacity, up 66 per cent from 2010, as well as doubling sewage pipeline network for better collection.

[4] Sources: Citi Research, P6NZ, Credit Suisse report 2013, GWI report

MANAGER'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

Manager's market commentary (continued)

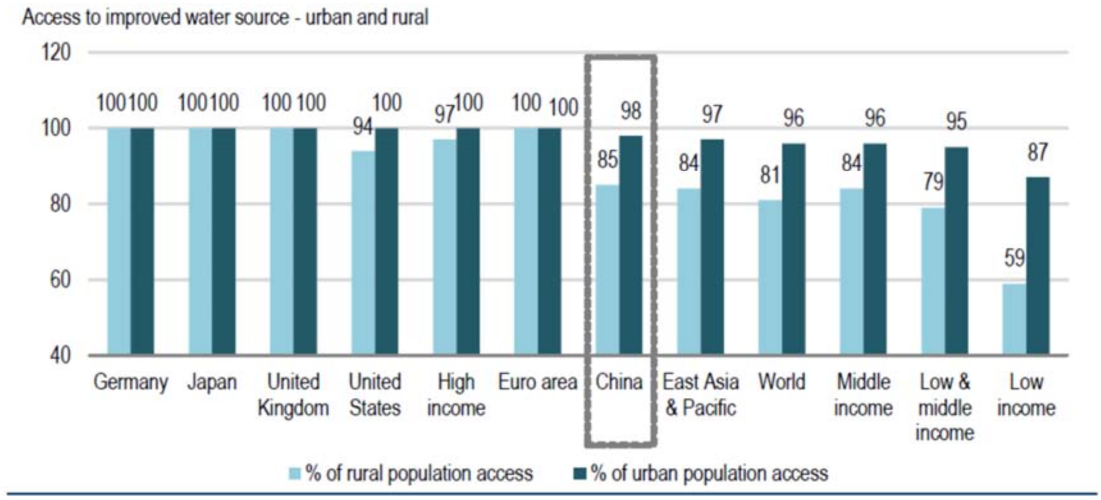
Domestic water usage per capita—China vs global peers (2010)



** Data from MOHURD*

Source: Global Water Intelligence, OECD Global Water Tariff Survey 2010

Access to improved water source in 2011—rural and urban



Access to an improved water source refers to the percentage of the population using an improved drinking water source. Improved drinking water sources include piped water on premises (piped household water connection located inside the user's dwelling, plot or yard) and public taps or standpipes, tube wells or boreholes, protected dug wells, protected springs, and rainwater collection.

Source: World Bank

We expect stronger growth in waste water treatment, at a 9.8 per cent CAGR in 2012-15, driven by higher collection ratio of water consumed and higher treatment ratio of water discharged.

MANAGER'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

Manager's market commentary (continued)

From 2006 to 2012, urban water treatment in China saw rapid growth, with treatment capacity doubling to 142m m^3/day and the number of sewage water plants increasing 228 per cent to 3,340 plants. However, as treatment capacity rapidly developed, waste water pipeline growth fell behind, partly due to lower incentives of the local governments. We note that the execution of sewage pipeline addition in 2005-10 fell behind the target in the 11th Five Year Plan ("FYP") by nearly 60 per cent. While treatment capacity nearly doubled, the length of waste water pipeline grew 66 per cent over the period. Unit pipeline length per km per day treatment capacity fell from 1.47x in 2006 to 1.33x in 2010. As a result, waste water collection was not enough to keep up with the rapid treatment plant capacity, leading to lower average utilisation for waste water treatment plants, from 83 per cent to 78 per cent over 2006-10. Treatment ratio of discharged water was also low. In 2010, total sewage disposal was 45 billion cubic meters but only 36 billion cubic meters was treated.

Approximately 82 per cent of waste water was treated in city levels but only 60 per cent was treated in county levels. The utilisation rates in counties are much lower than average urban and city levels. In order to further improve waste water treatment facilities coverage ratios, the government plans to add another 46m m^3/day new sewage treatment capacity to reach 208m m^3/day by 2015 (38m m^3/day capacity were under construction by the end of 2010). In particular, sewage treatment capacities in counties are expected to double to improve the lower coverage ratio of 81 per cent vs cities' coverage ratio of 99 per cent in 2012.

In order to improve sewage collection rate and utilisation rate of the treatment plan, expansion in sewage pipelines is more aggressive – to double the total length of pipelines by adding 159 km sewage pipeline, with total investment of Chinese Renminbi ("Rmb") 244 billion, of which one third is for existing sewage facilities. We estimate the completion of the pipeline network expansion will lead to a better match between treatment capacity and collection capacity, with unit pipeline length per km per day treatment capacity improving to 1.56x by 2015.

The overall 12th FYP in China includes investing Rmb427 billion, 29 per cent and 13 per cent higher respectively than the planned and actual investment in the 11th FYP. The investment includes: (1) adding another 159,000 km sewage pipeline, (2) new sewage treatment capacity of 46 m m^3/day, (3) upgrading existing sewage treatment capacity of 26 m m^3/day to improve the capacity utilisation rate, (4) new sludge treatment capacity of 5 million tonnes per annum and (5) new recycling water capacity of 27 m m^3/day. Key highlights from the 12th FYP for wastewater treatment set China's targets for 2015 as below:

- All the cities and counties should have centralised waste water treatment facilities (versus 2010 coverage 607 cities or 93 per cent of the total cities, and 1,034 counties or 60 per cent of the total counties);
- Further increasing waste water treatment ratio to 85 per cent for cities (from 77.5 per cent in 2010), 70 per cent for counties and 30 per cent for towns (from 60 per cent and less than 20 per cent in 2010);
- Increasing sludge harmless treatment ratio to 80 per cent for municipalities, provincial capitals and specifically designated cities, 70 per cent for all other cities and 30 per cent for counties and key towns (from less than 25% nationwide in 2010);
- Increasing the recycle ratio to greater than 15 per cent of the sewage treatment facilities (from less than 10 per cent or 3.37 billion cubic meters in 2010);
- Improving the utilisation of waste water treatment plants to more than 60 per cent for those in operation for over one year, and greater than 75 per cent for those in operation for more than three years;
- Upgrading selected existing waste water treatment plans to improve the ability to reduce emission, especially on those treatment plants which lack de-nitrogen, de-phosphorus facilities and biological nutrient removal capability;
- Other detailed plans are to construct 45.7 m m^3/day new and upgrade 26.1 m m^3/day existing sewage treatment capacity, 5.2 million tonnes per annum new sludge treatment and 26.7 m m^3/day new wastewater recycle facilities.

MANAGER'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

Manager's market commentary (continued)
In Europe, the main growth drivers are a number of directives which are coming online gradually, the increasingly stringent discharge regulation is forcing demand for custom compliance requirements from industrial clients which include integrated Pollution Prevention and Control Directive, Water Framework (WFD), for cost recovery in all water provision from 2010, Urban Wastewater Treatment Directives as well as resources recovery.

In the Middle East and North African ("MENA") region, due to acute water shortage and the tightening of discharge regulation, a number of large industrial waste water markets are experiencing double digit rate growth, such as mining and oil & gas. The most attractive opportunities involve recovery of valuable resources, clean water for reuse, all of which add additional income streams and enhance return on investment. As the technology applied in water treatment becomes increasingly complex, and requires specialist knowledge, many industrial and small municipal customers are willing to outsource water treatment solutions.

Manager's review of the portfolio: performance, outlook
The Manager has deep sector knowledge and actively engages with investee entities to realise the potential in the existing portfolio.

Highlights at the Company's portfolio level:

- During the year, RWT continued to build their project pipeline to capitalise on the strong demand in China. However, most of these projects had to be delayed, impacting their financial performance for the year as a result of the lack of available equity financing from shareholders. This was due to the setback from Ranhill Group withdrawing their Ranhill Energy IPO.
- On 11 January 2013, the Company received a non-refundable deposit payment of US$1 million from the Ranhill Group in connection with the potential sale of the Company's stake in RWT. On that date, Aqua's wholly-owned subsidiary, Robinson Investments Limited ("Robinson"), entered into a conditional sale and purchase agreement with the Ranhill Group pursuant to which the Ranhill Group agreed to acquire Robinson's entire shareholding in RWT of 14,880,000 ordinary shares, representing 45.2 per cent of the issued and paid-up capital of RWT, for US$31,659,574 of cash consideration. The consideration (less the US$1 million deposit already paid) was subject to interest of 5 per cent per annum for the period between 11 January 2013 and completion of the transaction.
- The Company's sale of its stake in RWT was terminated as a result of the Ranhill Energy IPO setback. The Company continues to engage Ranhill Group in discussions for a near-term sale transaction.
- CHC was able to maintain their EBITDA margin despite a 12.8 per cent decrease in revenues resulting from lower rainfall in their key operating regions during the year. A take private offer from a major shareholder was considered during the year and subsequently approved by CHC's Board of Directors in January 2014. Final shareholder approval for the transaction is scheduled to be presented to CHC's shareholders in the first half of 2014.
- Waterleau, operating in tough markets, reported unaudited operating revenues down slightly by 4 per cent in the financial year ended 31 December 2013. The company continues to expand their industrial business, build their access into the organic waste treatment (Biogas) sector and focus on the W2E sector.

The NAV of the Company declined by 1.7 per cent (2012: decrease 43.2 per cent) over the year. The unrealised portfolio declined in value by approximately €0.3 million during the year (2012: €28.3 million decrease).

MANAGER'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

Manager's review of the portfolio: performance, outlook

Performance

Ranhill Water Technologies (Cayman) Limited ("RWT") performance
RWT is a fully integrated water and wastewater company with in-house expertise in design, construction and operations of water and wastewater plants across a number of Asian countries. It has operations in Thailand, Malaysia and China. Currently, RWT owns and operates 4 projects in China with a total treatment capacity of 160 million litres per day ("mld") as well as 2 Build Own Transfer ("BOT") projects consisting of 5 operating plants in Thailand.

Summary of RWT's financial performance[5]:

(in US$ million)	2009	2010	2011	2012	2013
Revenues	US$ 13.5	US$ 22.5	US$ 26.1	US$38.8	US$17.5
EBITDA	US$ 4.8	US$ 6.0	US$ 6.4	US$9.7	US$4.4
Net Profit[6]	US$ 4.2	US$ 4.9	US$ 5.0	US$4.5	US$1.2

For the 12 months ended 31 December 2013, RWT registered unaudited revenues of approximately US$17.5 million, EBITDA of US$4.4 million and net profit of US$1.2 million. Revenue from continuing operations declined by 55 per cent, compared to the equivalent period in 2012, due to delays in kick starting 3 new BOT projects in China, namely the 20mld wastewater treatment plant ("WWTP") in Chang Feng Xia Tang Heavy Industrial Park, Anhui Province, 5mld WWTP in Yihuang Industrial Park, Jiangxi Province and 5mld WWTP in Wanzai, Jiangxi Province. This delay was primarily due to the lack of available equity funding from shareholders caused by Ranhill Group's decision to withdraw the IPO of Ranhill Energy during the year.

On 11 January 2013, the Company received a non-refundable deposit payment of US$1 million from the Ranhill Group in connection with the potential sale of the Company's stake in RWT. On that date, Aqua's wholly-owned subsidiary, Robinson Investments Limited ("Robinson"), entered into a conditional sale and purchase agreement with the Ranhill Group pursuant to which the Ranhill Group agreed to acquire Robinson's entire shareholding in RWT of 14,880,000 ordinary shares, representing 45.2 per cent of the issued and paid-up capital of RWT, for US$31,659,574 of cash consideration. The consideration (less the US$1 million deposit already paid) was subject to interest of 5 per cent per annum for the period between 11 January 2013 and completion of the transaction.

The transaction was conditional (subject to rights to waive such conditions) upon, amongst other things, the approval by all relevant regulatory authorities of the proposed Ranhill Energy IPO and the use of part of the proceeds of the proposed public offering for payment of the consideration.

On 26 July 2013, Ranhill Energy decided to withdraw the Ranhill Energy IPO application and no longer seek a listing on the Kuala Lumpur Stock Exchange, resulting in the postponement of the sale of the Company's stake in RWT after the deadline of 14 August 2013. The Board chose not to extend the completion deadline and the Company has retained the non-refundable deposit of US$1 million.

On 26 March 2014, the Ranhill Group announced that they were pursuing a reverse takeover transaction with a company listed on the Kuala Lumpur Stock Exchange to return to the public market. A Heads of Agreement signed on the same day allows the Ranhill Group exclusivity to negotiate the detailed terms and conditions of the proposed transaction with the intention to finalise and enter into the relevant definitive agreements within 2 months from that date, with any extensions to be mutually agreed.

Over the course of a few months since the expiry of the original deadline above, the Company has continued to engage Ranhill in discussions on a new sale transaction including indicative valuation ranges. To date, no conclusion has been reached. The Company will re-engage with Ranhill to negotiate the terms of a new sale transaction after further progress on Ranhill's proposed reverse takeover transaction referred to above.

The Company owns approximately 45.2 per cent of RWT.

[5] Audited figures for the years ended 30 June 2009, 30 June 2010, 30 June 2011 and 18 months ended 31 December 2012. Unaudited figures for the year ended 31 December 2013 .
[6] Net Profit is calculated before currency translation differences.

MANAGER'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

Manager's review of the portfolio: performance, outlook (continued)

Performance (continued)

RWT's performance (continued)

Investment summary:

	Cost (€'000)	Unrealised value (€'000)	Total value (€'000)	Valuation methodology
RWT	11,055	430	11,485	Indicative sale price less execution risk discount

Details on the valuation methodology can be found in Note 3 to the consolidated financial statements on page 42.

China Hydroelectric Corporation ("CHC") performance
CHC is an owner, consolidator, developer and operator of small hydroelectric power projects in the People's Republic of China. Led by an international management team, CHC's primary business is to identify and evaluate acquisition and development opportunities and acquire and in some cases construct, hydroelectric power projects in China. CHC currently owns twenty-five operating hydroelectric power projects in China with a total installed capacity at 21 April 2014 of 517.8 Megawatt ("MW"). These projects are located in four provinces: Zhejiang, Fujian, Yunnan and Sichuan[7].

Summary of CHC's financial performance[8] (December year-end):

(in US$ millions)	2009	2010	2011	2012	2013
Revenues	US$ 34.3	US$ 58.2	US$ 54.6	US$ 85.4	US$74.5
Gross Profit	US$ 17.9	US$ 35.5	US$ 23.3	US$ 49.6	US$39.2
EBITDA	US$ 20.2	US$ 31.8	US$ 23.3	US$ 55.7	US$49.9

In 2013, CHC reported net revenues from continuing operations of US$74.5 million, a decrease of 12.8%, or US$10.9 million, from US$85.4 million for 2012. The decrease in revenue for 2013 was principally due to lower precipitation levels in two of the company's three main operating regions compared to 2012. CHC sold 1,534.3 million kilowatt hours ("kWh") from continuing operations for 2013, a decrease of 233.7 million kWh, or 13.2%, from 1,768.0 million kWh sold in 2012. The effective tariff was RMB 0.33/kWh for 2013, unchanged from the same period of 2012.

Cost of revenues from continuing operations for 2013 was US$35.3 million, as compared to US$35.8 million for 2012. Cost of revenues in the 12 months ended 31 December 2013 decreased due to lower variable costs as a result of less favourable rainfall for 2012, offset by a US$0.3 million increase in labour cost.

Gross profit from continuing operations for 2013 decreased by 21.2% to US$39.2 million, from US$49.6 million in 2012. Gross margin for 2013 decreased to 53% compared to 58% in the same period of 2012 primarily due to decreased revenues and the fixed nature of certain expenses included in cost of revenues.

General and administrative expenses for 2013 decreased by 34.0% to US$13.3 million, from $20.3 million for 2012. The decrease was primarily due to the closure of the US office, one-time expenses in the fourth quarter of 2012 related to the proxy contest and reduction of professional service expenses, amongst others.

CHC recorded an asset impairment loss of US$3.5 million in the third quarter of 2013, primarily reflecting the estimated asset damages resulting from a severe flood in Sichuan province in July 2013 which damaged the tailrace concrete apron, spillway gates, power generation plant, auxiliary equipment and the 35 kilovolt substation of the Liyuan hydroelectric power project. The net asset impairment loss of US$3.5 million also reflected the insurance recovery of US$0.6 million received in 2013. The company is still assessing the total asset loss caused by such flood and working with the insurance company to determine how much of the total loss can be recovered.

[7] Source: CHC
[8] Audited figures for the years ended 31 December 2009, 31 December 2010, 31 December 2011 and 31 December 2012, unaudited figures for the year ended 31 December 2013.

MANAGER'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

Manager's review of the portfolio: performance, outlook (continued)

Performance (continued)

CHC's performance (continued)
Adjusted EBITDA decreased by 17.5% to US$49.9 million in 2013 compared to US$60.5 million in 2012. Adjusted EBITDA margin was 67% for 2013, unchanged from 2012. On a continuing basis, adjusted EBITDA decreased by 7.2%, or US$3.9 million, to US$49.9 million in 2013 from US$53.8 million in 2012. On a continuing basis, adjusted EBITDA margin increased from 63% to 67% year over year.

CHC's cash and cash equivalents (excluding restricted cash) were US$14.2 million as of 31 December 2013. Long-term bank loans were US$250.1 million (including the current portion of long-term loans of $38.3 million) as of 31 December 2013. Short-term loans as of 31 December 2013 were $12.0 million.

Take Private Proposal from NewQuest Capital Partners
As highlighted above, on 4 September 2013, CHC received a preliminary non-binding proposal letter from NewQuest Capital Partners, through its affiliated entity, CPI Ballpark Investments Ltd, and on behalf of its affiliates and the funds managed by it (collectively, "NewQuest"). The proposal letter indicated that NewQuest is interested in acquiring all of CHC's outstanding ordinary shares not currently owned by NewQuest, including ordinary shares represented by the company's American Depositary Share, each representing three ordinary shares ("ADS"), at a price of US$0.99 in cash per ordinary share or US$2.97 in cash per ADS. NewQuest owned 80,777,569 ordinary shares of CHC, representing approximately 49.8 per cent of the total outstanding ordinary shares of CHC. In addition, as further disclosed in its beneficial ownership report on Schedule 13D filed with the SEC on 4 September 2013, NewQuest also holds options and warrants to acquire ordinary shares of CHC, which, if exercised in full, would increase its ownership of CHC to approximately 56.8 per cent of CHC's outstanding ordinary shares.

NewQuest's proposal letter specifies that its proposal constitutes only a preliminary indication of its interest, and is subject to negotiation and execution of definitive agreements relating to the proposed transaction.

On 25 September 2013, CHC's Board of Directors established a Special Committee of the Board comprising three independent directors of the CHC, who are not affiliated to NewQuest, to evaluate the NewQuest proposal and other strategic alternatives. The Special Committee members are: Ms Moonkyung (Moon) Kim, Mr Jui Kian Lim, an employee of FourWinds Capital Management, and Mr Allard M. Nooy. Ms Kim is the Chairperson of the Special Committee. The Special Committee engaged Houlihan Lokey (China) Limited as its financial advisor and Davis Polk & Wardwell as its legal counsel to assist the Special Committee.

On 13 January 2014, CHC announced that it has entered into a definitive Agreement and Plan of Merger (the "Merger Agreement") with NewQuest. Pursuant to the Merger Agreement, NewQuest will acquire CHC for US$1.17 per ordinary share or US$3.51 per ADS.

This represents a 57.4 per cent premium over the closing price of US$2.23 per ADS as quoted by the New York Stock Exchange (the "NYSE") on 3 September 2013, and a 60.5 per cent premium over the volume-weighted average trading price of the company's ADSs during the 30 trading days prior to, and including, 3 September 2013, the last trading day prior to the company's announcement on 4 September 2013 that it had received a non-binding proposal letter from NewQuest to acquire all of the company's outstanding ordinary shares not already owned by them.

The consideration to be paid to holders of ordinary shares and ADSs under the Merger Agreement also represents an increase of 18.2 per cent from the original US$2.97 per ADS offer price submitted by NewQuest in its 4 September 2013 non-binding proposal letter.

NewQuest intends to fund the Merger through cash contributions pursuant to an equity commitment letter from NewQuest Asia Fund I, L.P. and NewQuest Asia Fund II, L.P. (collectively, the "Sponsors"). The Sponsors have also entered into a limited guarantee in favour of CHC pursuant to which they have agreed to guarantee certain obligations of Parent and Merger Sub under the Merger Agreement.

CHC's board of directors, acting upon the unanimous recommendation of the Special Committee, unanimously approved the Merger Agreement and the Merger and resolved to recommend that the company's shareholders vote to authorise and approve the Merger Agreement and the Merger.

MANAGER'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

Manager's review of the portfolio: performance, outlook (continued)

Performance (continued)

CHC's performance (continued)
The Merger, which is currently expected to close during the first half of 2014, is subject to customary closing conditions as well as the approval by an affirmative vote of holders of the company's ordinary shares representing at least two-thirds of the ordinary shares present and voting in person or by proxy as a single class at a meeting of the company's shareholders, which will be convened to consider the approval of the Merger Agreement and the Merger.

As of the date of the Merger Agreement, NewQuest and parties acting in concert beneficially own in aggregate approximately 59 per cent of CHC's outstanding shares and has agreed, among other things, to vote all its ordinary shares and ADSs of the company in favour of the authorisation and approval of the Merger Agreement and Merger. If completed, the Merger will result in the company becoming a privately-held company and its ADSs will no longer be listed on the NYSE.

Investment summary:

	Cost (€'000)	Unrealised value (€'000)	Total value (€'000)	Valuation methodology
CHC	13,479	(9,619)	3,860	Market price

Details on the valuation methodology can be found in Note 3 to the consolidated financial statements on page 42.

Waterleau Group ("Waterleau") performance
Waterleau is a global provider of wastewater treatment, water treatment, sludge treatment, waste treatment, energy, and air treatment solutions for industry and municipalities. Its services include research and development, audits and consultancy, pilot testing and demonstration tests, feasibility studies, technology selection, process design, mechanical design, electricity and instrumentation design, basic engineering, detailed engineering, and procurement. The company also provides equipment supply, site supervision, general contracting, construction, erection, electricity, instrumentation and control, start-up and commissioning, training, operation and maintenance, project development, financing, and Build Own (Operate) Transfer ("BO(O)T") project related services.

Summary of Waterleau's financial performance[9] (December year-end):

(in € million)	2009	2010	2011	2012	2013
Revenues	€ 55.5	€ 63.5	€ 75.3	€ 65.9	€61.2
EBITDA	€ 6.6	€ 6.6	€ 7.2	€ 2.3	€5.6

For the 12 months ended 31 December 2013, Waterleau experienced a slowdown of its revenues in the municipal sector due to implementation delays and margin pressures, especially in its core markets (such as Europe and North Africa). Its unaudited fiscal year 2013 revenues were approximately €61.2 million, which represents a marginal 7 per cent decrease over 2012 revenues; EBITDA margin was approximately 9.0 per cent, a significant improvement over 2012's EBITDA margin of 3.4 per cent. The aging trade receivable concerns in their projects in MENA carried over from the previous financial year have gradually been resolved over the course of 2013.

During the year, Waterleau worked on a number of value added opportunities, such as developing the market in India with a view to establishing a wholly owned subsidiary in India in order to be able to consolidate fully the high growth revenues derived from that market. Other opportunities are closer to their home market, such as the waste-to-energy plant in Ieper, Belgium, that it purchased from a client at a fraction of its construction cost. This plant, following its ramp-up phase has started to generate both revenues and operating profit and is expected to contribute approximately €2 million of revenues in the first year and €8 million of revenues in the second full year of operation.

[9] Audited figures for 2009 – 2012. Unaudited figures for 2013.

MANAGER'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

Manager's review of the portfolio: performance, outlook (continued)

Performance (continued)

Waterleau's performance (continued)

Investment summary:

	Cost (€'000)	Unrealised value (€'000)	Total value (€'000)	Valuation methodology
Waterleau	20,000	(1,796)	18,204	Principal and accrued interest of the convertible bond, less risk discount

Details on the valuation methodology can be found in Note 3 to the consolidated financial statements on page 42.

In-Pipe Technology Inc. ("IPT") performance
IPT provides engineered wastewater treatment technology and services for municipalities in the United States and internationally. Its technology re-engineers the sewer biofilm to offer biological nutrient removal, biosolids management, wastewater recycling, and ultraviolet disinfection services to pre-treat wastewater in the sewer collection system. The company's solutions enable customers to achieve environmental compliance, and eliminate noxious odours and corrosion, as well as lessen the impact of fats, oils, and grease.

Summary of IPT's financial performance[10] (December year-end):

(in US$ million)	2009	2010	2011	2012	2013
Revenues	US$ 1.7	US$ 1.6	US$ 1.8	US$2.1	US$2.3
EBITDA	(US$ 1.5)	(US$ 1.6)	(US$ 1.0)	US$0.02	US$0.5

For the 12 months ended 31 December 2013, IPT's unaudited revenues were approximately US$2.3 million (US$2.1million in 2012) which represents approximately an 11.4 per cent increase year on year. Gross margin slightly improved to 70.5 per cent (61 per cent in the previous fiscal year) and more importantly, achieved a stronger EBITDA for the year.

The improved EBITDA comes on the back of aggressive measures taken in the previous financial year to reduce costs and restructure the business and the management team's focus in 2013 on improving the company's business reach and technology competitiveness.

In addition, one new patent and 5 patent pending process applications have been added to the company's intellectual property (IP) portfolio. The company now has a facility with good work flow and scalable IP. IPT was able to build a new business model for the USA market. This model is more repeatable and as a result, client retention has improved. The company is now positioned to launch new business products in the international markets in 2014 starting with Mexico and Spain as well as a few Asian countries.

Investment summary:

	Cost (€'000)	Unrealised value (€'000)	Total value (€'000)	Valuation methodology
In-Pipe	3,603	(1,896)	1,707	1 x multiple of annual revenues

Details on the valuation methodology can be found in Note 3 to the consolidated financial statements on page 42.

[10] Audited figures for the years ended December 2009, 2010, 2011 and 2012. Unaudited estimated figures for the year ended December 2013.

MANAGER'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

Manager's review of the portfolio: performance, outlook (continued)

Performance (continued)

Bluewater Bio International ("BBI") performance
BBI is a provider of municipal, industrial, and commercial wastewater treatment solutions. It offers hybrid bacillus activated sludge technology, a biological odourless wastewater treatment process that produces reusable effluent and removes nutrients. The company also provides plant design, costing, installation, commissioning, training, and operation and maintenance services.

Summary of BBI's financial performance[11]:

(in £ million)	**2009**	**2010**	**2011**	**2012**	**12 months to June 2013**	**15 months to September 2013**
Revenues	£0.0	£0.0	£0.5	£2.5	£9.9	£10.4

In 2013, the company changed its accounting year end to 30 September from 30 June and as a result, revenues for 12 months to June 2013 and 15 months to September 2013 are shown in the above table for year to year comparison. In the 12 months ended June 2013, BBI made substantial progress, as demonstrated by an improvement of its revenues to £9.9 million from £2.5 million. For the 15 months to September 2013, the company registered negative EBITDA despite the increase in revenues, mainly due to the company's operating overheads.

BBI's first phase of the Tubli project in Bahrain was delivered on schedule. This project was nominated for the 2013 Wastewater Project of the Year in the Global Water Awards by Global Water Intelligence, a leading industry publication.

Furthermore, BBI received a new investment from an existing investor, Ombu Group, which has agreed to invest £4.1million into the company in four tranches of £1.0 million each. The first tranche was received on 22 July 2013, and the second tranche on 18 August 2013. The remaining commitment of £2.1 million was received on 4 November 2013[12].

Investment summary:

	Cost (€'000)	**Realised value (€'000)[13]**	**Unrealised value (€'000)**	**Total value (€'000)**	**Valuation methodology**
BBI	9,375	597	(8,778)	0	Write down to zero

Details on the valuation methodology can be found in Note 3 to the consolidated financial statements on page 42.

[11] Audited figures for the years ended June 2009, 2010, 2011 and 2012. The Group changed its accounting year end from 30 June to 30 September in 2013. Correspondingly, we have highlighted unaudited figures for 12 month period to June 2013 and 15 month period to September 2013.
[12] BBI audited Financial Statements for the period ended 30 September 2013
[13] The realised value for BBI, and hence the unrealised value for BBI, does not take into account £412,147 (€492,466) in partial repayment of accrued interest of £667,692 (€797,812) following a capital restructuring in March 2012 during which the Company received a total sum of £912,147 (€1,089,906) of which £500,000 (€597,440) was in partial repayment of its outstanding secured loans of £2,500,000 (€2,987,200) to BBI. Exchange rate used is GBP/EUR = 1.19488.

MANAGER'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

Manager's review of the portfolio: performance, outlook (continued)

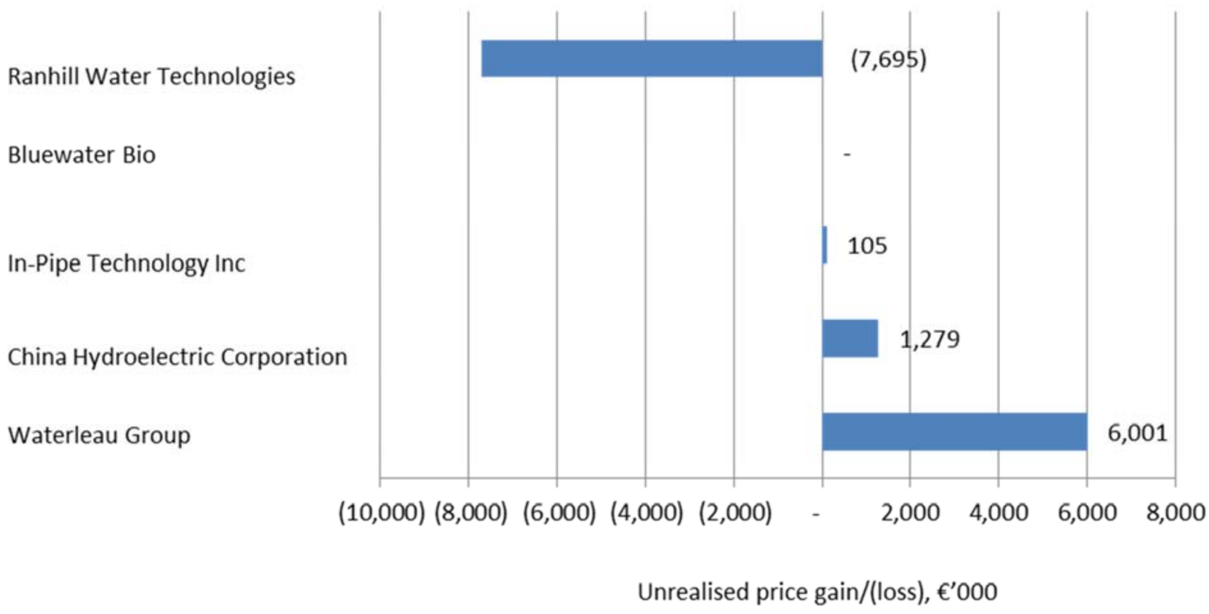
Performance summary
At 31 December 2013, the Company had approximately 5.6 per cent of its net assets in liquid funds and 91.7 per cent was invested in unquoted and quoted (in the case of CHC) investments.

The realised and unrealised movements of the investment portfolio (including accrued interest and foreign currency movements) are analysed in Figure 2 and Figure 3 below.

Figure 2:
Analysis of movements in NAV for the year ended 31 December 2013 (in €)

Opening NAV as at 1 January 2013	39,106,061
Investment income	949,191
Management fee	(749,959)
Performance fee	-
Other costs	(543,025)
Net realised loss on disposal of investments	(1)
Net unrealised depreciation of investments	(310,148)
Foreign currency movements	(9,173)
Closing NAV as at 31 December 2013	38,442,946

Figure 3:
Unrealised movements in investment portfolio for the year ended 31 December 2013 (in €'000)



MANAGER'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

Manager's review of the portfolio: performance, outlook (continued)

Outlook for portfolio companies
The Manager helps the Company add value to the businesses in which it invests (over and above the Company's investment capital) by also introducing business development opportunities and global expertise through a strong global network and presence in key growth markets. The Manager works closely with the Company's underlying investee companies, and helps them grow faster and compete more successfully for opportunities in Europe and major emerging markets such as South East Asia and MENA.

Ranhill Water Technologies (Cayman) Limited outlook
RWT will continue to leverage on its strengths to drive its business growth. RWT's advantages are its technological knowhow in water and wastewater treatment and experience in developing, executing and operating these projects. RWT will continue to concentrate in the markets where it has established strong foothold namely China, Thailand and Malaysia, while at the same time explore other markets such as India for future growth.

China Hydroelectric Corporation outlook
CHC will continue to manage its liquidity situation which is principally dependent on two key factors, cash-flow generated from operations and the state of domestic lending market in China. Management successfully raised a total of US$52.5 million in new borrowings and favourable re-financing through the course of 2013 and first quarter of 2014.

Rainfall in the first quarter of 2014 has been lower than that of the same period in 2013. Fujian and Zhejiang, which are regions where CHC receives higher tariffs, continue to experience average to slightly below average levels of precipitation.

Waterleau Group outlook
The municipal market continues to face strong competition. The market continue to slow down in 2013 and combined with stagnant economic conditions in number of European markets have caused Waterleau's competitors in these markets to continue lowering their prices to municipal clients, sometimes to unsustainable levels.

Waterleau has been developing a new market strategy that will help to expand their market coverage and lower its costs further in respond to market conditions. They have also been increasing manpower and resources in MENA and South East Asia markets whilst expanding its manufacturing capabilities through local partners in emerging markets, such as China and India. This strategy was proven right in 2013 with initial success in winning projects. We expect this will reflect positively on Waterleau's financial performance in 2014 and beyond as we anticipate this strategy will significantly improve the company's performance when fully implemented.

The industrial sector continues to be an area of growth for the company as it is expanding further in emerging markets as well as potentially into the new industrial sectors.

In-Pipe Technology outlook
IPT's municipal clients continue to view the company's range of services favourably, despite the tougher market conditions in the US, as the company focuses on delivering value-added solutions which contribute to cost savings in their clients' operations.

In 2013, In-Pipe made improvements to their product application and cost of production, increasing their value advantage to clients. As with all technologies, focusing on the greatest value to the customer as well as broader application is critical to success. The company aims to harvest the benefits of these advantages and convert them into further top line improvement.

Bluewater Bio International outlook
On the back of its success in the Tubli project, BBI will continue to push ahead with development of sales opportunities in Europe, South Africa and emerging markets and focus on building technology credibility with key water companies in those regions.

MANAGER'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

Principal risks and uncertainties

As stated in previous annual reports, the Company expects to face challenges linked to, on the one hand, the global macroeconomic environment and, on the other hand, potential microeconomic challenges linked to the Company's investments if such investments do not achieve the expected financial and operating results. Such uncertainties are linked to the slower than expected pace of global economic recovery, political instability in large markets such as MENA which are a large source of growth for some of our portfolio companies, and additional government regulations in the water sector and currency risk.

More specifically, the Company is focused on the following key risks:

Macroeconomic risks

In addition to the specific risks set out above, the performance of the Company's underlying investment portfolio is also influenced by a combination of economic growth, interest rates, the availability of well-priced debt finance, the number of active trade and private equity buyers and the general level of merger and acquisition activity. All of these factors have an impact on the Company's ability to invest and on the Company's ability to exit from its underlying portfolio or on the levels of expected profitability achieved on exit.

Long-term strategic risks

The Company is subject to the risk that its long-term strategy and its level of performance fail to meet the expectations of its shareholders.

The Company regularly reviews its investment strategy in light of prevailing investor sentiment to ensure the Company remains attractive to its shareholders.

Investment risks

The performance of the Company's portfolio is dependent upon a range of factors. These include but are not limited to: (i) the quality of the initial investment decision; (ii) the ability of the investee company to execute successfully its business strategy; and (iii) actual outcomes against the key assumptions underlying the investee company's financial projections. Any one of these factors could have an impact on the valuation of an investee company and upon the Company's ability to make a profitable exit from the investment within the desired timeframe. A rigorous process is put in place by the Manager for managing the relationship with each investee company from inception to anticipated realisation. This includes regular asset reviews and, in many cases, board representation by one of the Manager's executives.

Operational risks

The Company's investment management, custody of assets and all administrative systems are provided or arranged for the Company by the Manager, the Administrator and other service providers. Therefore, the Company is exposed to a range of operational risks which can arise from inadequate or failed processes, people and systems or from external factors affecting these. The Company's system of internal control mainly comprises the monitoring of the services provided by the Manager, including the operational controls established by the Manager to ensure it meets the Company's business objectives.

As a result of its investment strategy, the Company is also exposed to various risks including market risk, credit risk and liquidity risk as further explained in Note 7 of the notes to the consolidated financial statements.

FourWinds Capital Management
30 April 2014

INVESTMENT OBJECTIVE AND POLICY

At an EGM of the Company on 12 October 2012, shareholders voted to change the Investment Objective and Policy of the Company. With effect from 12 October 2012 the revised Investment Objective and Policy (the "new Investment Objective and Policy") are as follows:

Investment Objective

The Company's investment objective is to provide capital appreciation through exposure to a diversified portfolio of water related investments.

Investment Policy

The Manager is responsible for the discretionary investment management of the assets of the Company and seeks to accomplish the Company's investment objective by:

- seeking exposure to water-related investments (as explained below) on a global basis;
- seeking portfolio diversification by investing across the broad value chain of water-related projects and investments; and
- seeking to control risk through such portfolio diversification, investment vehicle selection and implementation of risk control strategies.

No assurance can be given, however, that the Company will achieve its investment objective, and investment results may vary substantially over time and from period to period.

No new investments

It is the general policy of the Company not to make new investments. It is the intention of the Company to continue to meet its existing capital commitments. The Company may support follow-on commitments in existing investments subject to prior approval by the Board.

Asset Allocation

Investments may be made within a diverse range of water-related sectors including infrastructure, technology, recycling and treatment and in water-related projects such as wastewater treatment, water distribution and infrastructure, water-to-energy, clean water, desalination, and others. Investment will comprise primarily direct stakes in unquoted water-related companies and projects. A target threshold of at least 60 per cent water-related activity will be set for an investment to be considered "water-related".

Gearing

Whilst the Articles of the Company permit maximum borrowings of up to 30 per cent of the Net Asset Value of the Company, the Company's policy is to ensure that its aggregate borrowings at the time of drawdown of any debt do not exceed a maximum of 20 per cent of the Net Asset Value of the Company. The Directors intend to use this facility primarily for short term liquidity, to facilitate the operation of the Company's over-commitment policy, for working capital requirements and to fund share buybacks. However, borrowings may also be used for investment financing in certain cases and, if the Directors deem it prudent, the Company may borrow for longer term purposes.

General

As at 30 June 2012, the Company had invested approximately 92 per cent of its net assets. The Company intends to remain substantially invested or committed going forwards, although the Manager may exercise its discretion to hold cash or cash equivalent instruments at any time as appropriate. Income earned from its investments will be reinvested by the Company in accordance with its investment policy, subject to working capital requirements.

The Portfolio is expected to comprise investments in multiple currencies. The Company will not systematically hedge its currency exposure, but may evaluate on a case-by-case basis the potential benefits of hedging against interest rate risk or currency risk related to assets not denominated in Euro. The Company may, where appropriate, also enter into forward interest rate agreements, forward currency agreements, interest rate and bond futures contracts and interest rate swaps and purchase or enter into put or call options on interest rates and put or call options on futures of interest rates. Any currency hedging will only be used for the purposes of efficient portfolio management and will not be used for any currency speculation.

In order for the Company to maximise the percentage of total assets invested at any given period of time, the Manager may follow an over-commitment strategy, subject to any guidelines set by the Board. The Board has set a guideline that the Company's total commitments should not exceed 150 per cent of the current gross assets of the Company (as determined by the Directors and the Manager at the time of acquisition or commitment), subject to such commitments being in accordance with the Company's investment policy. Whilst the Board may increase or reduce this percentage in its discretion in the future, it has no current intention to do so.

INVESTMENT OBJECTIVE AND POLICY

The New Investment Objective and Policy (continued)

Disposals
As and when the Company realises its investments, the Company may, at the sole discretion of the Board, either: (i) return capital to Shareholders; or (ii) retain proceeds in order to meet the Company's follow-on commitments in existing investments or other obligations of the Company from time to time.

Investment restrictions
The Company and any of its subsidiaries must not conduct a trading activity which is significant in the context of its group as a whole. This does not prevent the businesses forming part of the Portfolio from conducting trading activities themselves.

Although there is no restriction on the Company taking a controlling stake in an investee company, to ensure a spread of investment risk the Company will avoid:

- cross financing between the businesses forming part of its Portfolio including, for example, through the provision of undertakings or security for borrowings by such businesses for the benefit of another; and
- the operation of common treasury functions as between the Company and investee companies.

The Company will, at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with the investment policy set out above.

The Directors are as follows:

Hasan Askari (Chairman)
In addition to chairing the Company, Mr Askari is also Chairman of New India Investment Trust plc. He is also a director of Sun Life Financial of Canada (UK) Ltd. After graduating from the University of Oxford, Mr Askari started his career in 1975 at SG Warburg & Co. Ltd, London (now UBS) and has since worked at JP Morgan Chase in Hong Kong and Barclays Capital in Tokyo and London. He was most recently at Old Mutual plc, London as a member of the group's executive committee. He chairs the Company's Investment Monitoring Committee.

Fergus Dunlop
Mr Dunlop has investment experience in the UK, Germany and the Channel Islands. From 1987 to 2001 he was with Mercury Asset Management (now BlackRock), initially in London managing a joint venture with Munich Re and establishing a German office, and subsequently in Frankfurt. From 2002 to 2007 he joint-owned and managed an award winning institutional advisory business in Munich. Mr Dunlop holds a number of non-executive directorships, including Princess Private Equity Holding Limited and the Schroder Oriental Income Fund Limited, both traded on the London Stock Exchange. Mr Dunlop has an M.Phil. (Oxon). He chairs the Company’s Management Engagement Committee and is resident in Guernsey.

Charles Parkinson
Mr Parkinson is a former Minister of Treasury & Resources in the States of Guernsey. He read Law at Cambridge before qualifying as a Chartered Accountant and being called to the Bar in London. After a successful career in financial services, he was elected a Deputy in the States of Guernsey in 2004, and he served as a Minister from 2008 until he stood down at a general election in 2012. He has been a director of a number of companies listed on the London Stock Exchange and is currently a director of several private companies and companies listed on AIM and the Channel Islands Securities Exchange. He chairs the Company’s Audit Committee and is resident in Guernsey.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AQUA RESOURCES FUND LIMITED

Report on the Financial Statements

We have audited the accompanying consolidated financial statements (the "financial statements") of Aqua Resources Fund Limited and its subsidiaries (together "the Group") which comprise the consolidated statement of assets and liabilities as of 31 December 2013 and the consolidated statement of operations, consolidated schedule of investments, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with accounting principles generally accepted in the United States of America and with the requirements of Guernsey law. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group as of 31 December 2013, and of the financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008 and The Protection of Investors (Bailiwick of Guernsey) Law, 1987.

Emphasis of matter

Without qualifying our opinion, we draw your attention to the fact that investments are included in the financial statements at fair value as determined by the Directors as detailed in Notes 2 and 3. The nature and basis of each investment is different and valuation protocols applied by the Directors have varied in determining the fair value. Due to the nature and location of each investment, there are inherent difficulties in determining the fair value. Amounts realised on the sale of investments may be higher or lower than the values reflected in these financial statements and the differences may be material.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AQUA RESOURCES FUND LIMITED (CONTINUED)

Report on other Legal and Regulatory Requirements

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information is as noted on the contents page.

In our opinion the information given in the Directors' report is consistent with the financial statements.

This report, including the opinion, has been prepared for and only for the Group's members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers CI LLP
Chartered Accountants and Recognised Auditor
Guernsey, Channel Islands
30 April 2014

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES AT 31 DECEMBER 2013

	Notes	31 December 2013 €	31 December 2012 €
Assets			
Cash and cash equivalents		2,161,593	2,537,771
Investments at fair value (cost 2013: €57,432,536 and 2012: €57,432,537)	3	35,255,606	35,565,755
Interest receivable		150,000	150,000
Receivable from the Manager		924,470	1,039,935
Prepaid expenses		12,753	6,685
TOTAL ASSETS		38,504,422	39,300,146
Liabilities			
Other payables	4	61,476	194,085
TOTAL LIABILITIES		61,476	194,085
NET ASSETS		**38,442,946**	**39,106,061**
Net Assets consist of:			
Ordinary Shares (no par value, authorised to issue unlimited number of Ordinary Shares, of which 72,464,340 (2012: 72,464,340) were issued and outstanding)	6	70,030,004	70,030,004
Retained earnings		(31,587,058)	(30,923,943)
		38,442,946	**39,106,061**
Net asset value per Ordinary Share		**0.5305**	**0.5397**

The consolidated financial statements on pages 30 to 47 were approved by the Board of Directors on 30 April 2014 and signed on its behalf by:

Charles Parkinson
Director

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED SCHEDULE OF INVESTMENTS
AT 31 DECEMBER 2013

Investments	Quantity/ Notional	Fair Value €	NAV %
INVESTMENTS AT FAIR VALUE			
Bonds			
Belgium (cost: €20,000,000)			
Waterleau Group N.V. Convertible Loan	€20,000,000	18,203,500	47.35
Total investments in bonds (cost: €20,000,000)		18,203,500	47.35
Equities in unlisted Companies			
Belgium (cost: €277)			
Waterleau Group N.V.	1	338	-
Cayman Islands (cost: €20,351,156)			
Bluewater Bio International (Note 3)	88,783,918	-	-
Bluewater Bio International B Senior Preferred	8,250,577	-	-
Bluewater Bio International C Junior Preferred	2,117,984	-	-
Ranhill Water Technologies (Cayman) Limited	14,880,000	11,484,820	29.88
United States of America (cost: €3,602,651)			
In-Pipe Technology Company Inc.	474,834	1,706,845	4.44
Total investments in unlisted companies (cost: €23,954,084)		13,192,003	34.32
Equities in listed companies			
China (cost: €13,478,451)			
China Hydroelectric Corporation – American Depository Shares	1,980,538	3,860,103	10.04
Total investments in listed companies (cost: €13,478,451)		3,860,103	10.04
Warrants			
Cayman Islands (cost: €0)			
Bluewater Bio International – Warrant 02/11/2016 (Note 3)	1	-	-
United States of America (cost: €1)			
In-Pipe Technology Company Inc. – Warrants 05/08/2016 (Note 3)	74,225	-	-
Total investments in warrants (cost: €1)		**-**	**-**
Total investments at fair value (cost: €57,432,536)		**35,255,606**	**91.71**

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF INVESTMENTS
AT 31 DECEMBER 2012

Investments	Quantity/ Notional	Fair Value €	NAV %
INVESTMENTS AT FAIR VALUE			
Bonds			
Belgium (cost: €20,000,000)			
Waterleau Group N.V. Convertible Loan	€20,000,000	12,202,500	31.20
Total investments in bonds (cost: €20,000,000)		12,202,500	31.20
Equities in unlisted Companies			
Belgium (cost: €277)			
Waterleau Group N.V.	1	338	-
Cayman Islands (cost: €20,351,156)			
Bluewater Bio International (Note 3)	88,783,918	-	-
Bluewater Bio International B Senior Preferred	8,250,577	-	-
Bluewater Bio International C Junior Preferred	2,117,984	-	-
Ranhill Water Technologies (Cayman) Limited	14,880,000	19,179,816	49.05
United States of America (cost: €3,602,651)			
In-Pipe Technology Company Inc.	474,834	1,601,854	4.10
Total investments in unlisted companies (cost: €23,954,084)		20,782,008	53.15
Equities in listed companies			
China (cost: €13,478,451)			
China Hydroelectric Corporation – American Depository Shares	1,980,538	2,581,247	6.60
Total investments in listed companies (cost: €13,478,451)		2,581,247	6.60
Warrants			
Cayman Islands (cost: €1)			
Bluewater Bio International – Warrant 02/11/2016 (Note 3)	1	-	-
Bluewater Bio International – Part 2 Warrant 31/03/2013 (Note 3)	1	-	-
United States of America (cost: €1)			
In-Pipe Technology Company Inc. – Warrants 05/08/2016 (Note 3)	74,225	-	-
Total investments in warrants (cost: €2)		**-**	**-**
Total investments at fair value (cost: €57,432,537)		**35,565,755**	**90.95**

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	31 December 2013 €	31 December 2012 €
Investment income			
Interest income		200,004	682,560
Other income		749,187	-
Total investment income		949,191	682,560
Operating expenses			
Administrator fees		91,227	110,309
Audit fees		37,810	73,993
Fees for non-audit services		-	11,529
Professional fees		126,966	386,498
Brokerage fee		-	200,705
Directors' fees	5	153,857	139,113
Directors' expenses		466	18,310
Due diligence expenses		44,771	171,128
Management fees	5	749,959	757,627
Marketing expense		26,665	48,628
Miscellaneous expenses		61,263	174,418
Total operating expenses		1,292,984	2,092,258
Net investment loss		(343,793)	(1,409,698)
Realised and unrealised loss from investments and foreign currency			
Net unrealised loss from foreign currency transactions		(9,173)	(16,638)
Net realised (loss)/gain on disposal of investments		(1)	944
Net unrealised depreciation of investments		(310,148)	(28,300,149)
		(319,322)	(28,315,843)
Net decrease in net assets resulting from operations		**(663,115)**	**(29,725,541)**
Net investment loss per Ordinary Share (annualised):			
Basic & diluted		(0.0047)	(0.0195)
Net loss per Ordinary Share (annualised):			
Basic & diluted		(0.0092)	(0.4102)
Weighted Average Number of Ordinary Shares Outstanding:			
Basic & diluted		72,464,340	72,464,340

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	31 December 2013 €	31 December 2012 €
Movement in net assets resulting from operations			
Net investment loss		(343,793)	(1,409,698)
Net unrealised loss from foreign currency transactions		(9,173)	(16,638)
Net realised (loss)/gain on disposal of investments		(1)	944
Net unrealised depreciation of investments		(310,148)	(28,300,149)
Net decrease in net assets resulting from operations		(663,115)	(29,725,541)
Share capital transactions			
Issuance of capital		-	-
Redemption of capital		-	-
Net increase in net assets resulting from share capital transactions		-	-
Net decrease in net assets resulting from operations		(663,115)	(29,725,541)
Net assets at beginning of year		39,106,061	68,831,602
Net assets at end of year		38,442,946	39,106,061
Net asset value per Ordinary Share		**0.5305**	**0.5397**
Number of Ordinary Shares issued and outstanding at end of year	6	72,464,340	72,464,340

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	31 December 2013 €	31 December 2012 €
Cash flows from operating activities		
Decrease in net assets resulting from operations	(663,115)	(29,725,541)
Adjustment to reconcile decrease in net assets resulting from operations to net cash used in operating activities:		
Net unrealised depreciation of investments	310,148	28,300,149
Net realised loss/(gain) on disposal of investments	1	(944)
Decrease in interest receivable	-	493,739
Decrease/(increase) in receivable from the Manager	115,465	(760,722)
(Increase)/decrease in prepaid expenses	(6,068)	7,178
(Decrease)/increase in other payables	(132,609)	19,015
Purchase of investments	-	(2,882,553)
Disposals of investments	-	3,008,734
Net cash used in operating activities	(376,178)	(1,540,945)
Net decrease in cash	(376,178)	(1,540,945)
Cash and cash equivalents at beginning of year	2,537,771	4,078,716
Cash and cash equivalents at end of year	**2,161,593**	**2,537,771**

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED 31 DECEMBER 2013

	31 December 2013	31 December 2012
Per share data[1]		
Net asset value at beginning of year	0.5397	0.9499
Net investment loss	(0.0048)	(0.0195)
Net foreign currency loss	(0.0001)	(0.0002)
Net unrealised depreciation of investments	(0.0043)	(0.3905)
Net decrease in net assets resulting from operations	(0.0092)	(0.4102)
Net asset value at end of year	**0.5305**	**0.5397**
Ratios/supplemental data		
Total return	(1.70)%	(43.19)%
Number of Ordinary Shares outstanding at end of year	72,464,340	72,464,340
Weighted average number of Ordinary Shares[1]	72,464,340	72,464,340
Net assets at end of year (in €)	38,442,946	43,889,441
Average net assets[2] (in €)	41,311,121	56,558,495
Ratio of operating expenses to average net assets[3]	(3.13)%	(3.70)%
Ratio of net investment loss to average net assets[3]	(0.83)%	(2.49)%

[1]Basic weighted average per share data
[2]Average net assets calculated using the quarterly net asset values
[3]Calculated based on weighted average number of Ordinary Shares

The accompanying notes form an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. ORGANISATION

The Company was incorporated in Guernsey on 12 June 2008 as a closed-ended investment company with limited liability under The Companies (Guernsey) Law, 1994 (as amended). The Company is now governed under The Companies (Guernsey) Law, 2008.

The Company aims to provide capital appreciation through diversified exposure to a global portfolio of water-related investments. The Company's portfolio of investments will be diversified by factors such as geography, water sector, and investment type, structure and size. The Company may invest in companies and projects in both mature and emerging markets. There is no predetermined limit per region, but for diversification purposes the Company will invest in at least three regions of the world.

FourWinds Capital Management has been appointed as the Manager of the Company with responsibility for the discretionary investment management of the Company's assets.

On 24 July 2008 the Company's Ordinary Shares were admitted to the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange. On 12 November 2012 the Company cancelled its listing on the Official List and its shares are no longer publicly traded.

The Company's financial year end is 31 December.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
The accompanying consolidated financial statements have been prepared in accordance with US GAAP.

The Company's consolidated financial statements are presented in Euro which is the functional and the reporting currency of the Company.

Basis of Consolidation
Under the Accounting Standard Codification ("ASC") Topic 810, "Consolidation" ("ASC 810"), consolidation by an investment company of a non-investment company investee is not appropriate within the scope of Topic 946 Financial Services - "Investment Companies". An exception to this general principle occurs if the investment company has an investment in an operating company that provides services to the investment company. The consolidated financial statements consolidate the financial statements of the three wholly owned subsidiaries of the Company;

- Aqua Resources (In-Pipe) Holdings Limited ("ARIHL"), a Guernsey limited company formed in August 2009;
- Aqua Resources Asia Holdings Limited ("ARAHL"), an exempt company incorporated in the Cayman Islands formed in October 2008; and
- Cooperative Aqua Netherlands Holdings UA, a Dutch co-operative company formed on 22 March 2010.

ARAHL wholly owns a subsidiary, Robinson Investments Limited, which is an exempt company incorporated in the Cayman Islands formed in October 2008 and Cooperative Aqua Netherlands Holdings UA wholly owns a subsidiary, Aqua Netherlands Holdings BV, which is a Dutch special purpose vehicle formed on 26 March 2010. All intercompany accounts are eliminated on consolidation.

Use of Estimates
The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenses and other income during the reporting periods. Due to the inherent uncertainty of such estimates, including estimates of values of investments, amounts ultimately determined on realisation may differ from the Company's current estimates and such differences may be significant.

Valuation of Investments
The investments of the Company are carried at fair value in accordance with Financial Accounting Standard Board ("FASB") ASC Topic 820, "Fair Value Measurements and Disclosures" ("ASC 820"). ASC 820 provides a framework for measuring the fair value of assets and liabilities. ASC 820 also provides guidance regarding a fair value hierarchy which prioritises information used to measure fair value and the effect of fair value measurements on earnings and provides for enhanced disclosures determined by the level within the hierarchy of information used in the valuation. ASC 820 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Valuation of Investments (continued)

ASC 820 defines fair value in terms of 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. The price used to measure the fair value is not adjusted for transaction costs while the cost basis of investments may include initial transaction costs.

Under ASC 820, the fair value measurement also assumes that the transaction to sell an asset occurs in the principal market for the asset or, in the absence of a principal market, the most advantageous market for the asset. The principal market is the market in which the reporting entity would sell or transfer the asset with the greatest volume and level of activity for the asset. In determining the principal market for an asset or liability under ASC 820, it is assumed that the reporting entity has access to the market as of the measurement date. If no market for the asset exists or if the reporting entity does not have access to the principal market, the reporting entity should use a hypothetical market.

Securities that are listed on an exchange and are freely transferable are valued at their latest closing price as published by the relevant exchange or clearing house quoted on such exchange. Securities which are not listed or quoted on any securities exchange or similar electronic system or if, being so listed or quoted, are not regularly traded thereon or in respect of which no prices are available, are valued on the basis of the latest available valuation provided by a relevant counterparty and are adjusted in such a manner as the Directors, in their sole discretion, think fit. If no such valuation is available, the Directors determine the value in good faith in consultation with the Manager having regard to such factors as they deem relevant.

Details of the basis upon which the investments held by the Company as at 31 December 2013 were valued are contained in Note 3.

ASC 820 establishes a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1: Financial assets and liabilities whose values are based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Financial assets and liabilities whose values are based on the following:
- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in non-active markets;
- Pricing models whose inputs are observable for substantially the full term of the asset or liability; and
- Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

Level 3: Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable. These inputs reflect the Directors' own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

Investment Transactions and Related Investment Income

Transactions in securities are recorded on a trade date basis. Realised gains and losses on security transactions are based on the average cost method. Dividend income is recorded on the ex-dividend date.

Cash and cash equivalents

Cash comprises bank balances with banks and financial institutions. Cash balances are carried at notional value. Foreign balances are converted to Euros at the prevailing spot rate. All cash balances are readily accessible by the Company.

Interest Income

Interest is recorded on an accruals basis to the extent that the amounts are collectible.

Expenses

Expenses are accounted for on an accruals basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Private placements

Private placement securities are not registered for public sale and are carried at an estimated fair value at the end of the year, as determined by Directors in consultation with the Manager. Factors considered by the Directors and the Manager in determining fair value include cost, the type of investment, subsequent purchases of the same or similar investments by the Company or other investors, the current financial position and operating results of the Company invested in and such other factors as may be relevant. Private placements are classified within level 2 or level 3 of the fair value hierarchy depending on whether they are valued based on observable inputs or unobservable inputs. Fair value of these securities may differ significantly from the values that would have been used had a ready market existed, and the differences could be material.

Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the date of the consolidated financial statements. Transactions in foreign currencies are translated at the rates of exchange prevailing at the time of the transaction. Exchange gains or losses are included in the Consolidated Statement of Operations under net unrealised gain/(loss) from foreign currency transactions.

Taxation

The Company is a Guernsey Exempt Company and is therefore not subject to taxation on its income under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989. In jurisdictions other than the Cayman Islands, in some cases foreign taxes will be withheld at source on dividends and interest received by the Company. Capital gains derived by the Company in such jurisdictions generally will be exempt from foreign income or withholding taxes at source.

The Company recognises the tax benefits of uncertain tax positions only where the position is "more likely than not" to be sustained assuming examination by tax authorities.

The Company's tax positions have been analysed and it has concluded that no liability for unrecognised tax benefits should be recorded relating to uncertain tax positions for open tax years (2010-2012) and the positions to be taken for the tax year ended 31 December 2013. The Company recognises interest and penalties, if any, related to unrecognised tax benefits as income tax expense in the Consolidated Statement of Operations. During the year ended 31 December 2013, the Company did not incur any interest or penalties. The Company identifies its major tax jurisdictions as Belgium, China, the Netherlands, Cayman Islands and Guernsey where the Company holds its investments; however the Company is not aware of any tax positions for which it is reasonably possible that total amounts of unrecognised tax benefits will change materially in the next 12 months.

3. INVESTMENTS

The following tables show an analysis of assets and liabilities recorded at fair value, between those whose fair value is based on quoted market prices (Level 1), those involving valuation techniques where model inputs are observable in the market (Level 2) and those where the valuation technique involves the use of non-market observable inputs (Level 3).

Assets at fair value as of 31 December 2013 Class	**Total €**	**Quoted prices in active markets for identical assets (Level 1) €**	**Other market-based observable inputs (Level 2) €**	**Unobservable inputs (Level 3) €**
Equities - Listed companies	3,860,103	3,860,103	-	-
Equities - Unlisted companies	13,192,003	-	-	13,192,003
Convertible bonds	18,203,500	-	-	18,203,500
Warrants	-	-	-	-
Total	35,255,606	3,860,103	-	31,395,503

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

3. INVESTMENTS (CONTINUED)

Assets at fair value as of 31 December 2012 Class	Total €	Quoted prices in active markets for identical assets (Level 1) €	Other market-based observable inputs (Level 2) €	Unobservable inputs (Level 3) €
Equities- Listed companies	2,581,247	2,581,247	-	-
Equities- Unlisted companies	20,782,008	-	-	20,782,008
Convertible bonds	12,202,500	-	-	12,202,500
Warrants	-	-	-	-
Total	35,565,755	2,581,247	-	32,984,508

Transfers in or out of level 3

The ASU requires entities to discuss the reasons for these transfers and to disclose the transfers on a gross basis. Transfers into level 3 must be separately disclosed from transfers out of level 3. The ASU also requires that entities disclose their policy for determining when transfers between levels are recognised and provides the following examples of policies;

- the actual date of the event of change in circumstances that cause the transfer
- the beginning of the reporting period
- the end of the reporting period

The Company is using the policy of recognising transfers at the beginning of the reporting period.

The Company's policy about the timing of recognising transfers into the hierarchy levels is the same as the policy for recognising transfers out and this policy is applied consistently.

The table below shows a reconciliation of beginning to ending balances for Level 3 investments and the amount of total gains or losses for the year included in earnings attributable to the change in unrealised gains or losses relating to assets and liabilities held at 31 December 2013.

Fair value measurements: A reconciliation of the movement in Level 3 assets is presented below:

	Total €	Equities €	Bonds securities €	Warrants €
Opening balance 1 January 2013	32,984,508	20,782,008	12,202,500	-
Purchases of investments	-	-	-	-
Disposals of investments	-	-	-	-
Realised loss on disposal of investments	(1)	-	-	(1)
Net unrealised (depreciation)/appreciation of investments	(1,589,004)	(7,590,005)	6,001,000	1
Closing balance 31 December 2013	31,395,503	13,192,003	18,203,500	-
Total unrealised loss at 31 December 2013*	(12,558,582)	(10,762,081)	(1,796,500)	(1)

*The total change in unrealised appreciation/(depreciation) included in the consolidated statement of operations attributable to level 3 movements still held at 31 December 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

3. INVESTMENTS (CONTINUED)

The table below shows a reconciliation of beginning to ending balances for Level 3 investments and the amount of total gains or losses for the year included in earnings attributable to the change in unrealised gains or losses relating to assets and liabilities held at 31 December 2012.

Fair value measurements: A reconciliation of the movement in Level 3 assets is presented below:

	Total	Equities	Bonds securities	Warrants
	€	€	€	€
Opening balance 1 January 2012	62,253,292	32,974,883	29,278,408	1
Purchases of investments	2,882,553	2,882,553	-	-
Disposals of investments	(3,008,734)	-	(3,008,734)	-
Realised gain on disposal of investments	944	-	944	-
Net unrealised depreciation of investments	(29,143,547)	(15,075,428)	(14,068,118)	(1)
Closing balance 31 December 2012	32,984,508	20,782,008	12,202,500	-
Total unrealised gains at 31 December 2012	(10,969,578)	(3,172,076)	(7,797,500)	(2)

The Company's policy for valuation of investments is disclosed in Note 2.

Warrants
The Company holds warrants to subscribe for a total of 55,366,136 ordinary shares of BBI expiring in November 2016.

The Company also holds warrants (via its subsidiary ARIHL) to subscribe for 74,225 of additional shares in In-Pipe, representing approximately 2 per cent of the share capital of In-Pipe as at 31 December 2013. These warrants expire in August 2016.

Equity Investments
In determining an investment's placement within the fair value hierarchy, the Directors take into consideration the following.

Investments whose values are based on quoted market prices in active markets, and are therefore classified within level 1. These include listed equities. The Directors do not adjust the quoted price for such instruments, even in situations where the Company holds a large position and a sale could reasonably impact the quoted price.

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include less liquid listed equities. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments also include private equity investments. When observable prices are not available for these securities, the Directors use one or more valuation techniques (e.g., the market approach or the income approach) for which sufficient and reliable data is available. For fair value measurements using significant other observable inputs (level 2) and significant unobservable inputs (level 3), if there has been a change in the valuation technique, the reporting entity shall disclose that change and the reason for making it. Within level 3, the use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors.

The inputs used by the Directors in estimating the value of level 3 investments include the original transaction price, recent transactions in the same or similar instruments, completed or pending third-party transactions in the underlying investment or comparable issuers, subsequent rounds of financing, recapitalisations and other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows. Level 3 investments may also be adjusted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated by the Directors in the absence of market information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

3. INVESTMENTS (CONTINUED)

Equity Investments (continued)

The fair value measurement of level 3 investments does not include transaction costs that may have been capitalised as part of the security's cost basis. Assumptions used by the Directors due to the lack of observable inputs may significantly impact the resulting fair value and therefore the Company's results of operations. The actual amounts realised on a disposal of any investments could differ from their carrying values, and these differences could be significant.

As at 31 December 2013 the investments held by the Company which were valued using an estimate of fair value were as follows;

Ranhill Water Technologies (Cayman) Limited

The Company has valued its holding in RWT based on previously agreed sale values with Ranhill, less a 50 per cent discount to allow for execution risk.

Waterleau Group

The Company has valued its holding in Waterleau based on the principal amount of the convertible bond plus the implied value of interest earned during the holding period, less a discount of 30% in respect of credit and liquidity risk. This methodology is the same as that applied in the Company's 2012 Annual Report, however as at 31 December 2013 the Directors have reduced the level of the discount factor applied from 50%, due to improvements in Waterleau's financial and operational position during the year.

In-Pipe Technology

The Company has valued its holding in In-Pipe by applying a 1 times multiple of annual revenues. This methodology is the same as that applied in the Company's 2012 Annual Report. The Directors are of the opinion that the value of this investment, as at the period end, is fairly stated notwithstanding the improved operational results of In-Pipe, with the intention to revisit the valuation when the improved trend is confirmed.

Bluewater Bio International

The Company purchased its equity interest in BBI in a number of tranches during 2009 and subscribed to two loan instruments during 2010.

As part of the Ombu transaction, in which two new investors invested in BBI and which was announced by the Company on 27 March 2012, the Company received a total cash amount of £912,147 by way of partial redemption/repayment of its outstanding secured loans to BBI, the balance of which has been converted into two new classes of shares as follows:

- £283,011 into a new class of B preferred shares, ranking pari passu with the newly created A preferred shares (save that they are redeemable at any time at the discretion of the board of directors of BBI); and
- £2,117,984 into a new class of C preferred shares, ranking behind the A and B preferred shares.

In addition, the Company has an ordinary equity interest of 12.12 percent in the issued voting capital of BBI.

In the 15 months ended September 2013, BBI made substantial progress, as demonstrated by an improvement of its revenues to £10.4 million from £2.5 million in the 12 months ended June 2012. However, the company registered negative EBITDA of £4.4 million in the 15 months ended September 2013, despite the increase in revenues, mainly due to operating overheads. In light of this, the Board's view is that BBI has not shown sufficient demonstrable signs of sustained improvement to consider writing back the Company's investment. The Board will continue to monitor developments at BBI on a regular basis and revisit this decision if there are signs of sustained improvement in performance in the next financial year.

As at 31 December 2013 the investment held by the Company which is based on quoted market price (Level 1) was;

China Hydroelectric Corporation

The Company owns approximately 3.67 per cent of CHC's ordinary shares (representing 1,980,538 ADS) and the appropriate valuation of the Company's investment in CHC is based on the closing price on 31 December 2013 on an active market of US$2.68 per ADS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

4. OTHER PAYABLES

	31 December 2013	31 December 2012
	€	€
Administration fees	19,868	14,130
Audit fees	30,103	27,713
Brokerage fees	-	95,764
Other accrued expenses	11,505	56,478
	61,476	194,085

5. SIGNIFICANT AGREEMENTS

Manager

The Manager has been appointed by the Company as discretionary investment manager of the Company's assets pursuant to an investment management agreement dated 21 July 2008 ("Management Agreement"). Under the Management Agreement, the Manager is entitled to a base fee ("Base Fee") of 2 per cent per annum of the net asset value of the Company. The Base Fee is payable quarterly in advance and is calculated at the beginning of each quarter using the higher of (i) an implied straight line increase in net asset value (excluding cash) of 10 per cent per annum on a basis which increases 2.5 per cent per quarter over the most recently published audited net asset value plus the actual value of all cash, and (ii) the most recently published estimated net asset value.

In addition, the Manager is, in certain circumstances, entitled to a performance fee ("Performance Fee") in respect of each calculation period. The first calculation period was the period from Admission to 31 December 2008 and, thereafter, the calculation periods shall be each financial period of the Company ("Calculation Period"). The Performance Fee is payable where the net asset value per Ordinary Share at the end of the relevant Calculation Period exceeds the benchmark net asset value per Ordinary Share, which is the figure equal to the High Water Mark net asset value per Ordinary Share (defined below) increased by 10 per cent per annum (or, if the period since a Performance Fee was last paid is not 12 months, an amount equating to an annual compound rate of 10 per cent). The High Water Mark net asset value per Ordinary Share is the net asset value per Ordinary Share at the end of the last Calculation Period in respect of which a Performance Fee was paid (or if no Performance Fee has been paid, the net asset value per Ordinary Share immediately following Admission).

The Performance Fee per Ordinary Share will be equal to 20 per cent of the amount by which the net asset value per Ordinary Share at the end of the relevant Calculation Period exceeds the High Water Mark net asset value per Ordinary Share subject to the net asset value per Ordinary Share never being reduced as a result of being below the benchmark net asset value per Ordinary Share.

The Base Fees expensed for the year ended 31 December 2013 amounted to €749,959 (31 December 2012: €757,627). There was no Performance Fee paid or accrued at 31 December 2013 or for the year ended 31 December 2012. The High Water Mark at 31 December 2013 was €1.1252 (31 December 2012: €1.1252). The benchmark net asset value per Ordinary Share at 31 December 2013 was €1.4897 (31 December 2012: €1.4897).

The Management Agreement between the Company and the Manager is for an initial fixed term of seven years and is terminable by either party giving to the other not less than 24 months' notice to expire on the seventh anniversary of Admission or on any two year interval after the initial seven year term. In the event that the Management Agreement is terminated by the Company giving notice in this manner, the Base Fee and the Performance Fee will be calculated for period up to and including the date of termination. In such circumstances, any calculation of fees payable in lieu of notice shall be based upon the NAV and cash amounts as at the date on which any notice of termination is deemed received. No additional payment will be required to be made to the Manager by the Company in the event of such termination. On 13 June 2013 the Company served notice on the Manager to terminate the Management Agreement with effect from 20 July 2015.

In addition, the Management Agreement may be terminated by the Company immediately in the event of a continuing material breach of the Management Agreement by the Manager or certain insolvency or regulatory events affecting the Manager. If the Management Agreement is terminated by the Company in these circumstances, or if the Management Agreement is terminated by the Manager otherwise than in accordance with the provisions of the Management Agreement, no Performance Fee will be payable in respect of the Calculation Period ending on the date of termination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

5. SIGNIFICANT AGREEMENTS (CONTINUED)

Administrator and Company Secretary

On 14 November 2012 HSBC Securities Services (Guernsey) Limited ("HSBC") resigned as Administrator and Company Secretary and on the same date Praxis Fund Services Limited ("PFS") was appointed as Administrator and Company Secretary. PFS is paid £66,000 (€79,471) per annum for its services as administrator of the Company and of its subsidiary Aqua Resources (In-Pipe) Holdings Limited, payable quarterly in arrears.

PFS's fees expensed for the year amounted to €79,250 (31 December 2012: PFS fees of €10,043 and HSBC fees of €140,888). As at 31 December 2013 the sum of €20,575 was due to PFS (31 December 2012: €10,043).

Directors' Remuneration and Expenses

31 December 2013

Director	Per annum fees entitlement (in £)	Fees paid during the year (in £)	Fees paid during the year (in €)	Fees payable at the end of the year (in £)	Fees payable at the end of the year (in €)
Hasan Askari	60,000	60,000	71,483	-	-
Fergus Dunlop	30,000	30,000	35,742	-	-
Charles Parkinson	30,000	30,000	35,742	-	-

31 December 2012

Director	Per annum fees entitlement (in £)	Fees paid during the year (in £)	Fees paid during the year (in €)	Fees payable at the end of the year (in £)	Fees payable at the end of the year (in €)
Hasan Askari	60,000	55,000	68,324	-	-
Fergus Dunlop*	30,000	20,572	25,420	-	-
Jonathan Hooley**	25,000	11,680	14,470	-	-
Charles Parkinson***	30,000	15,000	18,653	-	-
Andrea Rossi****	15,000	1,233	1,491	-	-

** From 2 February 2012 to present*
*** From 1 January 2012 to 20 June 2012*
**** From 1 July 2012 to present*
***** From 1 January 2012 to 17 January 2012*

The Company reserves the right to pay Mr Askari's Directors' Fee in shares but did not do so during either 2012 or 2013. With effect from 1 July 2012 Mr Askari's fee increased from £50,000 per annum to £60,000 per annum and Mr Dunlop's fee increased from £15,000 per annum to £30,000 per annum. All of the Directors are also entitled to be paid all reasonable expenses properly incurred by them in attending general meetings, Board or committee meetings or otherwise in connection with the performance of their duties. The Board may determine that additional remuneration may be paid, from time to time, to any one or more Directors in the event such Director or Directors are requested by the Board to perform extra or special services on behalf of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

6. SHAREHOLDERS' EQUITY

The authorised share capital of the Company is represented by an unlimited number of Ordinary Shares of no par value which are denominated in Euro.

The holders of Ordinary Shares are entitled to:

- receive and participate in any dividends or other distributions out of the profits of the Company available for dividend or distribution;
- the right to the surplus assets remaining after payment of all the creditors of the Company in the case of winding up; and
- the right to receive notice of, and to attend and vote at, general meetings of the Company and each holder of Ordinary Shares being present in person or by attorney at a meeting upon a show of hands has one vote and upon a poll each such holder present in person or by proxy or by attorney has one vote in respect of each share held by him.

Under the Company's Articles of Incorporation, the Company may purchase its own Ordinary Shares in accordance with the Guernsey Company Law. The Company may hold any Ordinary Shares purchased by it whether out of distributable profits or the proceeds of a fresh issue of Ordinary Shares as treasury shares in accordance with the Guernsey Company Law. Shares held in treasury do not carry the rights as set out above in respect of Ordinary Shares.

Issued capital

31 December 2013	**Number of Ordinary Shares**	**€**
Ordinary Shares at 1 January 2013	72,464,340	70,030,004
Ordinary Shares outstanding at 31 December 2013	72,464,340	70,030,004

No shares were issued or repurchased by the Company during the year.

31 December 2012	**Number of Ordinary Shares**	**€**
Ordinary Shares at 1 January 2012	72,464,340	70,030,004
Ordinary Shares outstanding at 31 December 2012	72,464,340	70,030,004

No shares were issued or repurchased by the Company during the year.

7. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

The risks associated with the investments have been set out at greater length on page 24 of this report. As a result of its investment strategy, the Company is also exposed to varying degrees of market risk, credit risk and liquidity risk.

a) Market Risk

Market risk is the risk that the value of the Company's investments will fluctuate due to changes in interest rates, currency rates and other market factors. Price risk embodies not only the potential for loss but also the potential for gain. Market risk also reflects that investments in unlisted companies are further subject to the limitations of fair value as a measurement device.

b) Credit Risk

Credit risk is represented by the possibility that counterparties or exchanges will not perform under the terms of contracts agreed to with the Company. Cash amounts are held with Royal Bank of Scotland International Limited. Credit risk includes the potential for covenant violations and possible repercussions therefrom of underlying debt instruments owned by investee companies. This also includes the potential of investee companies not meeting scheduled principal and interest payments.

The company continuously monitors the credit standing of its counterparties and does not expect any material losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

7. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

c) Liquidity Risk
Liquidity risk is the risk that the Company may encounter as a result of its inability to sell its investments quickly at fair value. It also includes the risk of not meeting unscheduled demands from vendors and third parties.

8. RELATED PARTIES

At the time of the Company's initial investments in In-Pipe and Waterleau, Valerie Daoud Henderson, formerly an employee of the Manager's group in the role of Head of Europe Environment Group, became a director of each of those companies. Ms Daoud Henderson retired as a director of In-Pipe on 11 February 2014 and Herman Cai, an employee of the Manager's Group in the role of Managing Director, Asia Environment Group, was appointed in her place.

At the time of the Company's initial investment in RWT, Jui Kian Lim, an employee of the Manager's group in the role of Head of Asia Environment Group, became a director of that company. Furthermore, Mr Lim was appointed a director of CHC during 2012.

At the time of the Company's initial investment in Waterleau, Lydia Whyatt, formerly an employee of the Manager's group in the role of Managing Director, Environment Group, became a director of that company. Ms Whyatt retired as a director of Waterleau on 28 March 2014 and Hasan Askari was appointed in her place on 24 April 2014.

During the year ended 31 December 2013 the Company paid €1,200,467 in Management Fees (2012: €1,661,232) and will be reimbursed €450,508 by the Manager for the difference between the actual base fee and the amount billed during the year ended 31 December 2013 (2012: €897,052). As further described in Note 5, there was no Performance Fee earned during the years ended 31 December 2013 and 2012.

The following expenses are also paid by the Manager on behalf of the Company and were reimbursed:

	31 December 2013	31 December 2012
	€	€
Investee management-related expenses	44,771	116,268
Marketing expenses	35,509	15,242
Total	80,280	131,510

When the Company first acquired an interest in BBI, in 2009, it purchased 21,100,000 shares in BBI from the Manager for a consideration of US$2.97 million (€2.30 million). At the time, that transaction was a related party transaction between the Manager and the Company pursuant to Listing Rules 15.5.4R and 11.1.4R by virtue of the Manager being the investment manager of the Company, a shareholder of the Company and an associate of a then Director, Ms Kimberly Tara. All of the requirements of the Listing Rules in respect of such transaction were satisfied at that time. There have been no further related party transactions for the purposes of the Listing Rules since that date, including during the year.

The Directors' interests in the share capital of the Company at 31 December 2013 and 31 December 2012 were:

31 December 2013 and 31 December 2012	Number of Ordinary Shares
Hasan Askari	62,500

9. COMPARATIVE FIGURES

Comparative figures used in these consolidated financial statements are for the year ended 31 December 2012 for the Consolidated Statement of Assets and Liabilities, Consolidated Schedule of Investments, the Consolidated Statement of Operations, the Consolidated Statement of Changes in Net Assets, the Consolidated Statement of Cash Flows and the Consolidated Financial Highlights.

10. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company may enter into contracts that provide general indemnifications. The Company's maximum exposure under these arrangements is unknown as this would be dependent on future claims that may be made against the Company. The risk of material loss from such claims is considered remote.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

11. RECENT ACCOUNTING DEVELOPMENTS

There are no new Accounting Standards Updates applicable in the current year which are relevant to the Company's operations.

12. SUBSEQUENT EVENTS

On 26 March 2014, the Ranhill Group announced that they were pursuing a reverse takeover transaction with a company listed on the Kuala Lumpur Stock Exchange to return to the public market. A Heads of Agreement signed on the same day allows the Ranhill Group exclusivity to negotiate the detailed terms and conditions of the proposed transaction with the intention to finalise and enter into the relevant definitive agreements within 2 months from that date, with any extensions to be mutually agreed.

Since the expiry on 14 August 2013 of the conditional sale and purchase agreement between the Ranhill Group and Aqua's wholly-owned subsidiary, Robinson Investments Limited ("Robinson"), in relation to Robinson's entire shareholding in RWT, the Company has continued to engage Ranhill in discussions on a new sale transaction including indicative valuation ranges. To date, no conclusion has been reached. The Company will re-engage with Ranhill to negotiate the terms of a new sale transaction after further progress on Ranhill's proposed reverse takeover transaction referred to above

On 13 January 2014, CHC announced that it had entered into a definitive Agreement and Plan of Merger with its largest shareholder. Pursuant to this Agreement, the purchaser will acquire Aqua's holding in CHC at a price of US$3.51 per ADS, a premium of 31% over the valuation of CHC as at 31 December 2013. This transaction is subject to regulatory approval.