AQUA RESOURCES FUND LIMITED

Annual Report and Audited Consolidated Financial Statements

For the year ended 31 December 2016

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:	Charles Parkinson *(independent non-executive Chairman)* Hasan Askari *(non-independent Director)*
REGISTERED OFFICE:	Sarnia House Le Truchot St. Peter Port Guernsey GY1 1GR
INVESTMENT CONSULTANT:	Hasan Askari
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 1GR
INDEPENDENT AUDITOR:	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
UK TRANSFER AGENT:	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

Dear Shareholder,

On behalf of the Board, I am pleased to present the Annual Report of the Aqua Resources Fund Limited ("the Company") for the year ended 31 December 2016.

During the year, the Company successfully completed the disposal of its only remaining asset of significant value, its investment in Ranhill Water Technology (Cayman) Limited. This was followed by a distribution of the majority of the sales proceeds in the amount of 30 cents per Ordinary Share, following on from the previous capital return to shareholders in March 2016 of 29.1 cents per Ordinary Share. A summary of the remaining investments in the portfolio is provided in the Investment Consultant's Report on pages 8 to 9.

Net asset value ("NAV")
The NAV per Ordinary Share as at 31 December 2016 stood at €0.0538, which represents the remaining cash reserves following the distributions referred to above.

Outlook
Over the coming months our focus will be firmly on attempting to realise some value from the Company's investments in In-Pipe and BBH, prior to distributing any proceeds to shareholders, and making arrangements for the Company to be placed into voluntary liquidation. As noted in the Investment Consultant's report, due largely to issues arising in relation to In-Pipe, we envisage that this process is unlikely to be concluded before 30 September 2017.

Charles Parkinson
Chairman
28 April 2017

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors of the Company present their annual report and the audited consolidated financial statements ("the financial statements") for the year ended 31 December 2016.

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 Extraordinary General Meeting 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 Investment Consultant's Report. The Directors expect to conclude the disposal of its remaining investments and place the Company into voluntary liquidation within the next year. Accordingly, these financial statements have been prepared on the basis that the Company is no longer a going concern.

Results and dividends
The results for the year are shown in the Consolidated Statement of Operations on page 16 and the Company's financial position at the end of the year is shown in the Consolidated Statement of Assets and Liabilities on page 13.

The Directors have historically taken the view that returns would be reinvested and a dividend would not be payable. Indeed, until the prior financial year, there had 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 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 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 who served during the year were:

Charles Parkinson *(Chairman)*
Hasan Askari

Both of the Directors are non-executive directors. Due to his engagement as Investment Consultant, Mr Askari is not considered to be independent of the Company.

Directors' Interests
Throughout the period, Mr Askari had a beneficial interest in 62,500 Ordinary Shares in the Company.

Directors' Remuneration
The following amounts have been charged to the Statement of Comprehensive Income during the year in respect of the Directors' remuneration from the Company:

Year ended 31 December 2016 **Director**	**Directors' fees payable during the period**	**Investment Consultancy fees payable during the period**	**Incentive fee payable during the period**	**Total fees payable during the period**
	€	**€**	**€**	**€**
Hasan Askari	74,270	125,000	-	199,270
Charles Parkinson	37,135	-	-	37,135
	111,405	125,000	-	236,405

Year ended 31 December 2015 **Director**	**Directors' fees payable during the period**	**Investment Consultancy fees payable during the period**	**Incentive fee payable during the period**	**Total fees payable during the period**
	€	**€**	**€**	**€**
Hasan Askari	85,680	93,921	875,000	1,054,601
Charles Parkinson	42,840	-	-	42,840
Fergus Dunlop (resigned 19 June 2015)	21,434	-	-	21,434
	149,954	93,921	875,000	1,118,875

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

Directors' Remuneration (continued)
The Company reserves the right to pay Mr Askari's Directors' Fee in shares but did not do so during either 2015 or 2016. 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.

Under the terms of a consultancy contract signed on 8 April 2015, subsequently amended and restated by an Amendment and Restatement Agreement dated 9 December 2015 ("the amended agreement"), and subject to an addendum dated 7 March 2017, Mr Askari was appointed to act on the Board's behalf to oversee an orderly run-down of the remaining assets of the Company. The original contract was effective from 1 April 2015 until 31 March 2017, however this has subsequently been extended to 31 March 2018. In consideration for these services, Mr Askari receives a fee of €125,000 per annum and, separately, a contribution towards office costs of €25,000 per annum. Mr Askari has also received reimbursement of €54,430 (2015: €18,784) in respect of travel and other expenses during the year.

Under the terms of the amended agreement, Mr Askari is also entitled to receive an incentive fee in the sum of €875,000, as the total return to shareholders (including amounts returned to shareholders in 2014) has exceeded €0.60 per share, as specified in the agreement. The terms of the amended agreement specified that, should the winding up of the Company be completed after 30 September 2017, then the incentive fee payable would be €875,000 less any fees payable under the above consultancy agreement after 30 September 2017.

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 2016 and 31 December 2015 there were 72,464,340 Ordinary Shares in issue.

Share issues, pre-emption rights and share repurchases
The Articles of Incorporation 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 had a term of five years from the date of adoption of the Articles of Incorporation on 23 March 2011 and therefore expired on 22 March 2016.

Substantial interests in share capital
At 28 April 2017 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**
West Midlands Pension Fund	21,500,000	29.67
JP Morgan Asset Management Holdings Inc.	19,020,632	26.25
Jyske Bank	10,000,000	13.80
Merseyside Pension Fund	7,500,000	10.35
FourWinds Capital Management	3,685,000	5.09
South Yorkshire Pension Authority	2,973,850	4.10

As at 28 April 2017, West Midlands Pension Fund 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 28 April 2017, 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.

The Investment Consultant
With effect from 1 April 2015, Hasan Askari was appointed by the Board as Investment Consultant to manage the Company's portfolio on a day-to-day basis on behalf of the Board. For details of the terms of the Investment Consultancy Agreement, see note 8 on page 28.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

Independent Auditor
PricewaterhouseCoopers CI LLP ("PwC CI") were appointed on 7 November 2011 as auditor 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. Audit fees payable to PwC CI in the year amounted to €20,513 (2015: €27,594). PwC CI have not received any further fees for non-audit related services (2015: €Nil).

Going Concern
The Directors expect that the Company may be placed into liquidation within 12 months of the date of signing of these financial statements and therefore, although the Company has adequate resources to continue in operational existence for the foreseeable future, the Directors believe it is appropriate to prepare these financial statements on a basis other than going concern. The effects of this are detailed in note 2.

Corporate Governance
The Directors recognise the importance of maintaining high-standards of corporate governance. In the Circular to Shareholders dated 20 September 2012, despite delisting the Company, the Directors stated their intention to continue to follow the principles and provisions of the UK Corporate Governance Code issued by the Financial Reporting Council in September 2014 (the "Code").

However, due to the reduced size and changed composition of the Board and the mandate sanctioned by shareholders for an orderly realisation of assets, the Directors are of the opinion that it would serve no purpose and is no longer practicable to adopt all of the provisions of the Code.

Voting rights for portfolio investments
The Investment Consultant 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 his best commercial and financial judgment, of the best long-term interests of the Company and its shareholders.

Typically the Investment Consultant 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 twice 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 bi-annual meetings there is periodic contact with the Investment Consultant. The Board is 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 Board. 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 ("AGM") of the Company all the Directors who held office at the two preceding AGMs and did not retire shall retire from office and may be available for re-election at the same meeting. Charles Parkinson last retired under this rule at the 2016 AGM. Hasan Askari, being a non-independent director, is subject to annual re-election and will therefore also offer himself for re-appointment at the 2017 AGM.

The Company's Audit Committee (the "Committee") comprises all serving Directors. Hasan Askari acts as Chairman of the Audit Committee, which meets formally at least twice a year. The principal duties of the Committee, which are outlined in its terms of reference, are to consider the appointment of the external auditor (the "auditor"), to discuss and agree with the auditor 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 auditor, to review the auditor's 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 auditor 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 auditor, full consideration of the financial and other implications on the independence of the auditor arising from any such engagement will be considered by the Committee before proceeding. The terms of reference are available for review at the registered office of the Company.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

The Board (continued)
In view of the significantly reduced scale of the Company's operations, both the Management Engagement Committee and the Investment Monitoring Committee were deemed to be surplus to requirements and were disbanded during the prior year.

Attendance at the Board and the Committee meetings for the year ended 31 December 2016 was as follows:

	Number of meetings held	H Askari	C Parkinson
Board meetings	6	6	6
Audit Committee meetings	4	4	4

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.

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 an Assurance Report on Controls under International Standard on Assurance Engagements (or similar). 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, until 24 July 2015, the Manager.
- Consideration of the compliance reports and administration reports provided by the Administrator.
- Consideration of the Investment Consultant'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. This role includes the responsibility for maintaining 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 are required to:

- 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; and
- disclose that there is no relevant audit information of which the Company's auditor is unaware.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

Statement of Directors' Responsibilities (continued)
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 comply with The Companies (Guernsey) Law, 2008. 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 (www.aquaresourcesfund.com). Legislation in Guernsey governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

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 auditor is 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 auditor is aware of that information.

Signed on behalf of the Board of Directors by:

Charles Parkinson
Director
28 April 2017

INVESTMENT CONSULTANT'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

This is a report by the Investment Consultant to the Board of Directors ('the Board') of Aqua Resources Fund Limited ('Aqua' or 'the Company') for the year ended 31 December 2016.

Shareholders will be aware from my report in the Interim Management Report ('the Interims') issued on 30 September 2016 that Aqua had two remaining assets left, In-Pipe Technology Inc. ('In-Pipe') (based in the Chicago area in the United States) and BlueWater Bio Holdings Limited ('BBH') based in the United Kingdom. Both these assets have been written down completely and the Board has determined that my efforts should be focussed on an orderly disposal of these two assets and at the same time, seek whatever value is achievable.

DEVELOPMENTS

There have been some positive movements in the course of the year.

The first of these was the sale of our holdings in Ranhill Water Technology (Cayman) Limited and the payment of a capital distribution of €0.30 per share to all shareholders. Full details on this transaction were set out in the Interims and I will not repeat them here.

Secondly, we have agreed the sale of our entire shareholding in BBH to the controlling shareholder of BBH, Ombu Limited for a nominal sum. While this sale will not add any additional value to Aqua, it does remove an impediment to the eventual voluntary liquidation of the Company. The sale of our shareholding in BBH had been of continuing concern to the Board as there were no buyers or market for these shares and if unsold, would have been an obstacle in our eventual objective of winding up the Company.

Finally, shareholders will recall that I had referred in my report in the Interims to 'an elaborate web of special purpose vehicles'. I am pleased to be able to report that these have been wound down (in Netherlands and the Cayman Islands) and only one remains (in Guernsey).

BLUEWATER BIO HOLDINGS LIMITED

For good order's sake, I set out below our investment in BBH:

- Total investment: €9,375,000
- Realised value: €597,000 (this was realised when the Company was managed by Four Winds Capital Management; these funds were not distributed to shareholders but used for operating expenses)
- Total unrealised loss: €8,778,000

IN-PIPE TECHNOLOGY INC.

I advised shareholders in the Interim Report that a sale process by means of an auction for In-Pipe had commenced. The likely structure of the sale will be a debt free cash free asset sale. Since then, we have accepted an offer for the sale of the assets of In-Pipe from a private investor based in the Chicago area. A definitive asset Sale and Purchase Agreement is currently being drafted and there is an expectation that this Agreement will be signed some time in May. However, there is no certainty that the transaction will complete, as negotiations are still current. Following this sale, In-Pipe will remain extant and there will be a further period while we go through the process of a voluntary winding up of In-Pipe and its Guernsey holding company. It is difficult to predict how long these two sequential processes will take, especially in the United States, but my objective remains to complete this process as expeditiously as possible, particularly so as I am required to spend extended periods of time at In-Pipe in the suburbs of Chicago.

A summary of the results of In-Pipe is set out below; the 2016 results are unaudited.

(in US$ million)	**2013**[1]	**2014**[2]	**2015**[3]	**2016**[4]
Revenues	US$2.33	US$2.22	US$2.02	US$1.91
EBITDA	US$0.37	US$0.36	US$0.34	US$0.46

[1] Unaudited financial statements for the year ended 31 December 2013
[2] Audited financial statements for the year ended 31 December 2014
[3] Audited financial statements for the year ended 31 December 2015
[4] Management accounts for the year ended 31 December 2016

INVESTMENT CONSULTANT'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

IN-PIPE TECHNOLOGY INC. (continued)
As is self evident from the table above, In-Pipe has not made any progress over the past three years (or since 2009 when our investment was first made) and, on available evidence, is unlikely to make any progress over the next year. The Board continues to believe that its decision in 2014 to write off this investment completely remains appropriate.

	Cost (€'000)	Realised value (€'000)	Unrealised value (€'000)	Total value (€'000)	Valuation methodology
In-Pipe	3,603	-	(3,603)	-	Written down to zero

NET ASSET VALUE
The net asset value per share of the Company is €0.0538 per share. This consists entirely of cash. The Board does not intend to make any further distributions to shareholders till such time as the two remaining assets have been wound down and the Company itself put into voluntary liquidation.

OUTLOOK
The sale of In-Pipe is not likely to be as quick and easy as we would like and there is no way of predicting how long this process will take. All that I can do is assure shareholders that I am making every effort to consummate this sale as expeditiously as possible. As explained above, following the sale of the assets and business of In-Pipe, there will be a further period when In-Pipe itself will have to be wound down. I suspect that both these processes are likely to take longer than I had anticipated and my revised best estimate for completing all of this is the end of 2017.

Hasan Askari
Director and Investment Consultant
28 April 2017

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BOARD OF DIRECTORS

The Directors are as follows:

Charles Parkinson (Chairman)
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 was re-elected to the States as a Deputy at a by-election in December 2015 and currently serves as the President of the States Trading Supervisory Board. 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 as well as a company quoted on AIM. He is Chairman of the Company and is resident in Guernsey.

Hasan Askari
Mr Askari is Chairman of New India Investment Trust plc. He is also a director of Sun Life Financial of Canada (UK) Ltd and of Lloyd George Indian Ocean Fund, a Cayman Island company managed out of Hong Kong. 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 Audit Committee and acts as Investment Consultant to the Company.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AQUA RESOURCES FUND LIMITED

Our opinion
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Aqua Resources Limited (the "Company") and its subsidiaries (together the "Group") as at 31 December 2016, and of their consolidated financial performance and their consolidated 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.

Emphasis of matter – Going concern
Without qualifying our opinion, we draw your attention to note 2 to the financial statements which indicates that the Directors have prepared the financial statements on a basis other than going concern.

What we have audited
The Group's consolidated financial statements comprise:

- the Consolidated Statement of Assets and Liabilities as at 31 December 2016;
- the Consolidated Schedule of Investments as at 31 December 2016;
- the Consolidated Statement of Operations for the year then ended;
- the Consolidated Statement of Changes in Net Assets for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended; and
- the Notes to the Consolidated Financial Statements, which include a summary of significant accounting policies.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information
The directors are responsible for the other information. The other information comprises the Chairman's Statement, the Directors' Report, the Investment Consultant's Report and Board of Directors (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements
Under The Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper accounting records have not been kept; or
- the consolidated financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

This report, including the opinion, has been prepared for and only for the 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
Guernsey, Channel Islands

28 April 2017

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES
AT 31 DECEMBER 2016

	Notes	31 December 2016 €	31 December 2015 €
Assets			
Cash and cash equivalents		4,784,822	23,873,646
Investments at fair value (cost 2016: €12,898,849 and 2015: €23,953,808)	3	-	16,576,954
Prepaid expenses		10,469	62,331
TOTAL ASSETS		4,795,291	40,512,931
Liabilities			
Management fee payable	4	-	163,802
Incentive fee payable	8	875,000	875,000
Other payables		19,997	76,926
TOTAL LIABILITIES		894,997	1,115,728
NET ASSETS		**3,900,294**	**39,397,203**
Net Assets are represented by:			
Ordinary Shares (no par value, authorised to issue unlimited number of Ordinary Shares, of which 72,464,340 (2015: 72,464,340) were issued and outstanding)	6	70,030,004	70,030,004
Retained earnings		(66,129,710)	(30,632,801)
		3,900,294	**39,397,203**
Net asset value per Ordinary Share		**0.0538**	**0.5437**

The consolidated financial statements on pages 13 to 29 were approved and authorised for issue by the Board of Directors on 28 April 2017 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 2016

Investments	Quantity/ Notional	Fair Value €	NAV %
INVESTMENTS AT FAIR VALUE			
Equities in unlisted Companies			
Cayman Islands (cost: €9,296,198)			
Bluewater Bio Holdings Limited	82,902	-	-
United States of America (cost: €3,602,651)			
In-Pipe Technology Company Inc.	474,834	-	-
Total investments in unlisted companies (cost: €12,898,849)		-	-
Total investments at fair value (cost: €12,898,849)		**-**	**-**

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

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)
AT 31 DECEMBER 2015

Investments	Quantity/ Notional	Fair Value €	NAV %
INVESTMENTS AT FAIR VALUE			
Equities in unlisted Companies			
Cayman Islands (cost: €20,351,156)			
Bluewater Bio Holdings Limited	82,902	-	-
Ranhill Water Technologies (Cayman) Limited	14,880,000	16,576,954	42.08
United States of America (cost: €3,602,651)			
In-Pipe Technology Company Inc.	474,834	-	-
Total investments in unlisted companies (cost: €23,953,807)		16,576,954	42.08
Warrants			
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: €23,953,808)		**16,576,954**	**42.08**

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

CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	31 December 2016 €	31 December 2015 €
Investment income			
Interest income		8,033	188,575
Other income		-	3,951
Total investment income		8,033	192,526
Operating expenses			
Administrator fees	4	117,584	159,458
Audit fees		20,513	27,594
Professional fees		33,977	69,659
Directors' fees	8	114,369	161,328
Directors' expenses		7,488	20,465
Investment Consultant's fee and expenses	8	204,430	112,705
Incentive fee	8	-	875,000
Management fees	4	(163,802)	406,494
Marketing expense		-	1,115
D&O and PI insurance		39,899	36,874
Miscellaneous expenses		52,999	11,222
Total operating expenses		427,457	1,881,914
Net investment loss		(419,424)	(1,689,388)
Realised and unrealised gain from investments and foreign currency			
Net realised and unrealised gains from foreign currency transactions		251,259	8,673
Net realised gain on disposal of investments	3	7,497,681	4,056,000
Net unrealised appreciation of investments		-	2,690,295
		7,748,940	6,754,968
Net increase in net assets resulting from operations		**7,329,516**	**5,065,580**
Net investment loss per Ordinary Share:			
Basic & diluted		(0.0116)	(0.0466)
Net profit per Ordinary Share:			
Basic & diluted		0.1011	0.0699
Weighted Average Number of Ordinary Shares Outstanding:			
Basic & diluted	6	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 2016

	Notes	31 December 2016 €	31 December 2015 €
Movement in net assets resulting from operations			
Net investment loss		(419,424)	(1,689,388)
Net realised and unrealised gains from foreign currency transactions		251,259	8,673
Net realised gain on disposal of investments	3	7,497,681	4,056,000
Net unrealised appreciation of investments		-	2,690,295
Net increase in net assets resulting from operations		7,329,516	5,065,580
Transactions with owners			
Capital distributions	5	(42,826,425)	-
Net decrease in net assets resulting from transactions with owners		(42,826,425)	-
Net (decrease)/increase in net assets		(35,496,909)	5,065,580
Net assets at beginning of year		39,397,203	34,331,623
Net assets at end of year		3,900,294	39,397,203
Net asset value per Ordinary Share		**0.0538**	**0.5437**
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 2016

	Notes	31 December 2016 €	31 December 2015 €
Cash flows from operating activities			
Increase in net assets resulting from operations		7,329,516	5,065,580
Adjustments to reconcile increase in net assets resulting from operations to net cash from/(used in) operating activities:			
Net unrealised appreciation of investments		-	(2,690,295)
Net realised gain on disposal of investments	3	(7,497,681)	(4,056,000)
Decrease in receivable from the Manager		-	242,692
(Decrease)/increase in payable to the Manager		(163,802)	163,802
Decrease in interest receivable		-	150,000
Decrease/(increase) in prepaid expenses		51,862	(45,052)
Increase in incentive fee payable		-	875,000
(Decrease)/increase in other payables		(56,929)	11,137
Disposals of investments	3	24,074,635	22,000,277
Net cash from operating activities		23,737,601	21,717,141
Cash flows used in financing activities			
Capital distributions	5	(42,826,425)	-
Net (decrease)/increase in cash		(19,088,824)	21,717,141
Cash and cash equivalents at beginning of year		23,873,646	2,156,505
Cash and cash equivalents at end of year		**4,784,822**	**23,873,646**

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

CONSOLIDATED FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED 31 DECEMBER 2016

	31 December 2016	31 December 2015
Per share data[1]		
Net asset value at beginning of year	0.5437	0.4738
Net investment loss	(0.0058)	(0.0233)
Net foreign currency gain	0.0035	0.0001
Net realised gain on disposal of investments	0.1034	0.0560
Net unrealised appreciation of investments	-	0.0371
Net increase in net assets resulting from operations	0.1011	0.0968
Capital distribution	(0.5910)	-
Net asset value at end of year	**0.0538**	**0.5437**
Ratios/supplemental data		
Total return	18.60%	14.76%
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 €)	3,900,294	39,397,203
Average net assets[2] (in €)	9,467,167	36,563,171
Ratio of operating expenses to average net assets[3]	(4.52%)	(5.15%)
Ratio of net investment loss to average net assets[3]	(4.43%)	(4.62%)

[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 2016

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. Following an EGM on 12 October 2012, the Company's investment objective is to achieve an orderly management and disposal of its investments and return the proceeds to shareholders, net of fees and expenses.

With effect from 1 April 2015, Hasan Askari was appointed by the Board as Investment Consultant to manage the Company's portfolio on a day-to-day basis on behalf of the Board.

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.

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.

Going Concern
The Directors expect that the Company may be placed into voluntary liquidation within 12 months of the date of signing of these financial statements and therefore, although the Company has adequate resources to continue in operational existence for the foreseeable future, the Directors believe it is appropriate to prepare these financial statements on a basis other than going concern.

The preparation of financial statements on a basis other than going concern requires that assets are reduced to their recoverable amounts and that provisions are made for future losses. The Directors have considered whether there is any indication that the recoverable amount of the Company's assets is lower than the amount recorded as fair value at 31 December 2016. They have concluded that any post balance sheet changes in value reflect fair value changes and do not indicate a reduction in the recoverable amount at 31 December 2016 and, accordingly, that no adjustment is required to the carrying amount of the Company's assets or liabilities. In addition the Directors have considered whether any provision is required for future losses. The Company will continue to incur expenses up to the date that the Company is placed into liquidation. However, the Company's estimated future expenses are not expected to be material and, accordingly, the Directors do not consider that a provision for future losses is required. The Directors do not anticipate that the costs of liquidation will be material.

Basis of Consolidation
The Company is classified as an investment company under the terms of Accounting Standard Codification ("ASC") 946, "Financial Services – Investment Companies" and follows the accounting and reporting requirements of that standard, except as noted below.

Under ASC 810, "Consolidation", consolidation by an investment company of a non-investment company investee is not appropriate within the scope of ASC 946. 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 incorporate the results of the three wholly-owned subsidiaries of the Company, as follows, and, where applicable as detailed below, their wholly-owned subsidiaries:

- 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 liquidated in September 2016; and
- Cooperative Aqua Netherlands Holdings UA ("Coop Aqua"), a Dutch co-operative company formed on 22 March 2010 and liquidated in October 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Consolidation (continued)

During the year, ARAHL wholly owned a subsidiary, Robinson Investments Limited ("Robinson"), which was an exempt company incorporated in the Cayman Islands formed in October 2008 and liquidated in September 2016, and Coop Aqua wholly owned a subsidiary, Aqua Netherlands Holdings BV ("Aqua Netherlands"), which was a Dutch special purpose vehicle formed on 26 March 2010 and liquidated in March 2016.

During the year, the Company has paid the following amounts on behalf of its subsidiaries, in return for asset holding services provided by the subsidiaries:

- ARIHL – Professional and statutory fees of €981 (2015: €3,684)
- ARAHL – Professional and statutory fees of €1,202 (2015: €4,837)
- Robinson – Professional and statutory fees of €4,891 (2015: €4,274)

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.

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 Investment Consultant 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 2016 were valued are contained in note 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Valuation of Investments (continued)

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.

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 Investment Consultant. Factors considered by the Directors and the Investment Consultant 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (2011-2015) and the positions to be taken for the tax year ended 31 December 2016. 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 2016, the Company did not incur any interest or penalties. The Company identifies its major tax jurisdictions as Belgium, 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 at 31 December 2016	**Total**	**Level 1**	**Level 2**	**Level 3**
Class	**€**	**€**	**€**	**€**
Equities - Unlisted companies	-	-	-	-
Total	-	-	-	-

Assets at fair value as at 31 December 2015	**Total**	**Level 1**	**Level 2**	**Level 3**
Class	**€**	**€**	**€**	**€**
Equities - Unlisted companies	16,576,954	-	-	16,576,954
Warrants	-	-	-	-
Total	16,576,954	-	-	16,576,954

The above tables include the investments in In-Pipe Technology Inc and Bluewater Bio Holdings Limited, both of which are held at nil value

Transfers in or out of Level 3

In accordance with the relevant Accounting Standards Update (“ASU”) issued by the US Financial Accounting Standards Board, entities are required 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

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 2016.

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

	Total	Equities	Warrants
	€	€	€
Opening balance 1 January 2016	16,576,954	16,576,954	-
Disposal of investments	(24,074,635)	(24,074,635)	-
Profit on disposal of investments	7,497,681	7,497,681	-
Net unrealised appreciation of investments	-	-	-
Closing balance 31 December 2016	-	-	-
Total unrealised loss at 31 December 2016*	(12,898,849)	(12,898,849)	-

*The total cumulative change in unrealised losses included to date in the consolidated statement of operations attributable to Level 3 movements still held at 31 December 2016.

The following table 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 2015.

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

	Total	Equities	Bonds	Warrants
	€	€	€	€
Opening balance 1 January 2015	31,830,936	13,886,936	17,944,000	-
Disposal of investments	(22,000,277)	(277)	(22,000,000)	-
Profit on disposal of investments	4,056,000	-	4,056,000	-
Net unrealised appreciation of investments	2,690,295	2,690,295	-	-
Closing balance 31 December 2015	16,576,954	16,576,954	-	-
Total unrealised loss at 31 December 2015*	(7,376,854)	(7,376,853)	-	(1)

*The total change in unrealised depreciation included in the consolidated statement of operations attributable to Level 3 movements still held at 31 December 2015.

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

Warrants
The Company held warrants (via its subsidiary ARIHL) to subscribe for 74,225 additional shares in In-Pipe, representing approximately 2 per cent of the share capital of In-Pipe as at 31 December 2015. These warrants expired in August 2016.

3. INVESTMENTS (CONTINUED)

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.

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 2016 the investments held by the Company which were valued using an estimate of fair value were as follows;

In-Pipe Technology Inc

The Company has valued this investment at nil value as at 31 December 2016 and 31 December 2015.

Bluewater Bio Holdings Limited

The Company has valued this investment at nil value as at 31 December 2016 and 31 December 2015.

4. SIGNIFICANT AGREEMENTS

Manager

FourWinds Capital Management (“the former Manager”) was 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”). This agreement was terminated on 24 July 2015.

In addition, the former Manager was, in certain circumstances, entitled to a performance fee (“Performance Fee”) in respect of each calculation period, however the criteria for payment of the Performance Fee were not met at any stage during the period of engagement of the former Manager.

During the year, the Company wrote back an amount of €163,802 relating to management fees previously accrued (31 December 2015: expense of €406,494), which had been disputed by the Company. No Performance Fee was paid or accrued during the years ended 31 December 2016 or 31 December 2015.

The responsibilities of the former Manager have been taken over by the Investment Consultant (see note 8).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT AGREEMENTS (CONTINUED)

Administrator and Company Secretary

On 14 November 2012 Praxis Fund Services Limited ("PFS") was appointed as Administrator and Company Secretary. During the prior year until 30 April 2015, PFS was paid a basic fee of £67,800 (€92,011 converted at the prior year end rate) per annum for its services as administrator of the Company and of its subsidiary Aqua Resources (In-Pipe) Holdings Limited, payable quarterly in arrears; this increased to £68,610 per annum (€93,111 converted at the prior year end rate) with effect from 1 May 2015; and to £68,953 per annum (€80,889 converted at the current year end rate) with effect from 1 May 2016. In addition, PFS receives fees on a time charge basis for any project work undertaken that falls outside of the scope of the Administration Agreement.

PFS's total administration fee for the year amounted to €92,732 (31 December 2015: €114,714). As at 31 December 2016 €Nil was payable to PFS (31 December 2015: €7,016).

5. CAPITAL DISTRIBUTIONS

The Company made the following distributions of capital to Ordinary Shareholders during the year:

Date of distribution	Amount per Ordinary Share	Total distribution €
4 March 2016	29.1¢	21,087,123
4 July 2016	30.0¢	21,739,402
	59.1¢	42,826,425

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

6. SHAREHOLDERS' EQUITY (CONTINUED)

Issued capital

31 December 2016	Number of Ordinary Shares	€
Ordinary Shares at 1 January 2016	72,464,340	70,030,004
Ordinary Shares outstanding at 31 December 2016	72,464,340	70,030,004

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

31 December 2015	Number of Ordinary Shares	€
Ordinary Shares at 1 January 2015	72,464,340	70,030,004
Ordinary Shares outstanding at 31 December 2015	72,464,340	70,030,004

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

7. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

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.

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

With effect from 14 September 2015, Hasan Askari was appointed as a director of In-Pipe, and on 21 April 2016 became chairman, in order to represent the interests of the Company and of shareholders on the Board of In-Pipe.

Further to discussions between the Board and the former Investment Manager, during the year ended 31 December 2016 the Company wrote back management fees previously recorded as payable to the Manager of €163,802 (2015: expense of €406,494). As further described in note 4, there was no Performance Fee earned during the years ended 31 December 2016 and 2015.

Directors' Interests
Throughout the period, Hasan Askari had a beneficial interest in 62,500 Ordinary Shares in the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

8. RELATED PARTIES (CONTINUED)

Directors' Remuneration
The following amounts have been charged to the Statement of Comprehensive Income during the year in respect of the Directors' remuneration from the Company:

Year ended 31 December 2016 Director	Directors' fees payable during the period €	Investment Consultancy fees and contribution to office costs payable during the period €	Incentive fee payable during the period €	Total fees payable during the period €
Hasan Askari	74,270	150,000	-	224,270
Charles Parkinson	37,135	-	-	37,135
	111,405	150,000	-	261,405

Year ended 31 December 2015 Director	Directors' fees payable during the period €	Investment Consultancy fees and contribution to office costs payable during the period €	Incentive fee payable during the period €	Total fees payable during the period €
Hasan Askari	85,680	93,921	875,000	1,054,601
Charles Parkinson	42,840	-	-	42,840
Fergus Dunlop	21,434	-	-	21,434
	149,954	93,921	875,000	1,118,875

The Company reserves the right to pay Mr Askari's Directors' Fee in shares but did not do so during the current or the comparative period. 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.

Fees amounting to €2,964 (2015: €11,374) payable to the directors of group subsidiaries Cooperative Aqua Netherlands Holdings UA and Aqua Netherlands Holdings BV are also included under the heading of Directors' fees in the Statement of Comprehensive Income.

Under the terms of a consultancy contract signed on 8 April 2015, subsequently amended and restated by an Amendment and Restatement Agreement dated 9 December 2015 ("the amended agreement"), and subject to an addendum dated 7 March 2017, Mr Askari was appointed as Investment Consultant to act on the Board's behalf to oversee an orderly run-down of the remaining assets of the Company. The original contract was effective from 1 April 2015 until 31 March 2017, however this has subsequently been extended to 31 March 2018. In consideration for these services, Mr Askari receives a fee of €125,000 per annum and, separately, a contribution towards office costs of €25,000 per annum. Mr Askari has also received reimbursement of €54,430 (2015: €18,784) in respect of travel and other expenses during the year.

Under the terms of the amended agreement, Mr Askari is also entitled to receive an incentive fee in the sum of €875,000, as the total return to shareholders (including amounts returned to shareholders in 2014) has exceeded €0.60 per share, as specified in the agreement. The terms of the amended agreement specified that, should the winding up of the Company be completed after 30 September 2017, then the incentive fee payable would be €875,000 less any fees payable under the above consultancy agreement after 30 September 2017. The incentive fee was recognised in the Statement of Comprehensive Income in the year ended 31 December 2015, but not paid, and remains outstanding at the date of this report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

9. COMPARATIVE FIGURES

Comparative figures used in these consolidated financial statements are for the year ended 31 December 2015 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.

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

There have been no subsequent events requiring disclosure in these financial statements.