

Regulatory Story

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Aqua Resources Fund Limited - Interim Management Statement

Aqua Resources Fund Limited ("Aqua" or the "Company"), the Authorised closed ended investment scheme managed by FourWinds Capital Management ("FWCM" or the "Manager") investing in global water opportunities, today issues its Interim Management Statement for the period from 1 January 2012 to 18 May 2012 (the "Period").

Financial position and performance

The Company manages a diversified portfolio of water-related investments. The latest published audited net asset value ("NAV") per ordinary share of the Company ("Ordinary Share") at 31 December 2011 was EUR0.95, corresponding to a NAV of EUR68.83 million for the Company. At 31 March 2012, the Company held approximately EUR4.5 million in cash including cash to fund working capital.

As at 31 March 2012, Aqua's estimated unaudited NAV per Ordinary Share was EUR1.02, up by 747 basis points from the 31 December 2011 audited NAV per Ordinary Share.

This change in NAV resulted mainly from:

- unrealised gains in the Company's assets, which impacted the NAV by approximately 8.7%;
- unrealised negative currency movements, which impacted the NAV by approximately -1.1%; and
- operating expenses.

The basis for valuing the Company's assets used in this Interim Management Statement is the same as and consistent with the methodology employed for calculating the NAV as at

31 December 2011 as set out in the Annual Report and Audited Consolidated Financial Statements of the Company announced on 27 April 2012. However, it does differ from the methodology used for calculating the NAV as reported in previous Interim Management Statements and previous quarterly NAV calculations for which generally the only adjustments made to the year-end valuation or to the immediately preceding quarterly NAV calculation were to account for the movements in the relevant foreign exchange rates and for the change in the value of quoted securities.

At 16 May 2012, Aqua's share price closed at EUR0.34.

	31 March 2012 (EUR)	31 December 2011 (EUR)	% change
NAV per Ordinary Share	1.02086 (unaudited)	0.9499 (audited)	+7.47%
Closing middle market share price (London Stock Exchange)	€0.345	€0.330	+4.55%

At 31 March 2012, the Company had invested approximately 93.4% of its net assets. The balance is held in cash. Aqua has no gearing at the Company level and no uncalled commitments.

Ordinary share price

The Board is aware that the stubborn and deep discount of the share price to the Company's NAV remains a source of concern to shareholders. The Board has therefore continued to seek alternatives which could include, inter alia, some form of corporate action.

Material events during the Period

Update on the Company's listing

The Board noted in the recently published annual report and audited financial statements for the year ended 31 December 2011 that, as a result of a transaction in the Company's shares on 23 April 2012, Aqua no longer complied with the free float requirement of the UK Listing Rules. LR 6.1.19 stipulates that 25% of the shares in a listed company should be held in public hands. The Board, through the Company's brokers, has discussed this development with the UK Listing Authority ("UKLA").

Shareholders should note that as a consequence of the Company failing to meet LR 6.1.19, the UKLA is entitled to withdraw the listing. In practice, however, the Board understands that the UKLA will allow the Company sufficient time to rectify the position to the satisfaction of both the UKLA and, the Board hopes, existing shareholders. The Board is considering its options with its advisers and with the UKLA and is consulting with its core shareholders on these options, which could include a delisting and/or migration to another stock exchange, and will make a further announcement as soon as practicable.

Update on Bluewater Bio International ("BBI")

The Company announced on 26 March 2012, that BBI had raised additional capital through a financing led by Ombu Group and Hermes GPE Environmental Innovation Fund LP. The transaction includes the recapitalisation of BBI by way of a subscription by the new investors for a new class of A Preferred Shares in the capital of BBI, and partial repayment of certain debt held by Aqua and other debt holders in BBI. As part of the transaction, Aqua has received a total cash amount of £912,147 in partial redemption/repayment of its outstanding secured

loans to BBI, the balance of which was converted into two new classes of preferred shares.

Update on China Hydroelectric Corporation ("CHC")

CHC filed its audited consolidated earnings for the year ended 31 December 2011 ("CHC's 2011 financial results") on 27 April 2012. Aqua owns 1,980,537 American Depository Shares ("ADS") of CHC (representing approximately 3.7% of CHC's share capital).

CHC's revenues from continuing operations for the year ended 31 December 2011 were US\$57.5 million, a decrease of 9% from US\$63.3 million for the year ended 31 December 2010. This decrease was due in part to a lower than average hydrology level in the first nine months of 2011 compared to better than average hydrology level in the same period in 2010 and, to a lesser extent, the result of a lower effective tariff rate due to project contribution mix. These factors were partially offset by incremental revenue contributed in the current year by a project acquired in 2011. As a result of the weaker hydrology level, the consolidated effective utilisation rate in the year ended 31 December 2011 was 28.0%, a decrease from 38.6% in the same period of 2010.

CHC's EBITDA was US\$31.5 million (53% EBITDA margin) for the year ended 31 December 2011 compared to US\$42.8 million (64% EBITDA margin) for the same period of 2010.

CHC's share price traded in a range from US\$0.99 (19 January 2012) to US\$2.04 (29 March 2012) during the Period. CHC's share price closed at US\$1.20 on 15 May 2012.

CHC's CEO, Mr. John Kuhns commented, "2011 unfortunately proved to be a particularly difficult year due to a number of factors the company could not control: the weather, the bank lending environment in China, off shore debt markets and the equity markets. We are, however, pleased to report that weather conditions thus far in 2012 have been very favorable, and that the Chinese government has taken steps to revitalize lending. The single most important factor affecting our operating results is the amount of electric power we are able to generate, and this of course is dependent on two principal factors: our facilities and equipment operating properly, which we can control, and hydrological conditions, which we cannot control. As anticipated, our assets presented no problems, attributable to both our plant level operating expertise and our policy of following best practices for plant and equipment maintenance. Unfortunately, overall precipitation was especially unfavorable in 2011, and by our own estimate the probability of such levels occurring in any given year is extremely low. Accordingly, the drop-off in our 2011 revenue, operating income and adjusted EBITDA appears quite unfavorable in comparison to 2010."

Business Outlook for CHC's first quarter ending 31 March 2012

As at 27 April 2012, CHC reported that rainfall in the first quarter of 2012 was well above that of the same period in 2011 and more in line with 2010's level, particularly in Fujian and Zhejiang, where electricity tariffs are higher.

Investment update

Aqua invests in the supply, use and treatment of an increasingly scarce yet still essential resource, water. It actively manages a portfolio of investee companies, which at 31 March 2011 accounted for 93.4% of its net assets.

Aqua provides these companies with capital for projects in water and wastewater as well as hydroelectricity, and equipment and innovation supply. Its investee companies seek to ensure that the broader water industry increases its efficiency and provides end-users, whether individuals or industrials, with cleaner and better quality water without dramatic increases in cost. By investing along the value chain, and across industries and geographies, Aqua has been able to diversify risk whilst maintaining its core strategic focus.

As at 18 May 2012, the Company held investments in five companies with operating divisions in the United Kingdom, Continental Europe, China, Thailand, South Korea, Malaysia, North Africa, South Africa and the Middle East, as well as in the United States and Mexico, providing an attractive underlying geographic diversification. The investee companies were as follows:

Ranhill Water Technology (Cayman) Limited ("RWT")

RWT is an international joint venture established in March 2009 by the Company and the Ranhill Group to invest in water and wastewater operations in China and Thailand. RWT owns and operates five water and wastewater concessions in China. Amongst them are the Yichun potable water treatment plant and the Xiao Lan wastewater treatment plant, both located in the fast growing Jiangxi Province. Furthermore, RWT currently owns and operates two plants on a long-term contract basis in Thailand. RWT's audited fiscal year 2011 revenues were approximately US\$26.1 million with a 24.5% EBITDA and 19.2% net profit margins respectively. RWT has a June fiscal year end. For the first six months (to 31 December 2011) of fiscal year ending 30 June 2012, RWT registered unaudited revenues of approximately US\$12.3 million with a 27.6% EBITDA and 21.1% net profit margins respectively. The Company owns 45.2% of RWT. At 31 March 2012, RWT represented 39.8% of NAV.

China Hydroelectric Corporation

CHC is an owner, operator and consolidator of small hydroelectric power projects in China and is one of the few independent small electric power producers. As at 31 December 2011, CHC owned twenty six operating hydropower projects in China with total installed capacity of 547.8 MW, of which it acquired twenty two operating projects and constructed four. These hydroelectric power projects are located in four provinces: Zhejiang, Fujian, Yunnan and Sichuan. Hydropower is an important contributor to China's electric power needs, accounting for approximately 22% of nationwide capacity. CHC was founded in 2006, its headquarters are in Beijing and it is listed on the New York Stock Exchange. The Company owns approximately 3.7% of CHC's ordinary shares (through its holding of ADSs). At 31 March 2012, CHC represented 4.0% of NAV.

Waterleau Group N.V. ("Waterleau")

Waterleau is a privately held global environmental technology solutions and services company. It provides a wide range of water, wastewater and solid waste and air treatment solutions for both industrial and municipal clients. Waterleau applies these technologies to purify wastewater and produce renewable energy from wastewater and bio-waste. Incorporated in 2000, Waterleau had a turnover in excess of EUR75 million in the financial year ended 31 December 2011, with a 10% EBITDA margin. It has been profitable for more than five consecutive years and has been growing at double digit rates since inception. It currently employs approximately 270 people across offices and/or operating divisions in Belgium, France, Morocco, Egypt, India, China, Turkey and Brazil. At 31 March 2012, Waterleau represented 36.7% of NAV.

Bluewater Bio International

BBI is a privately held technology provider which has a proprietary technology called HYBACS (Hybrid Bacillus Activated Sludge) process. BBI provides a cost effective, advanced biological solution for the treatment of wastewater. The Company owns preferred shares in BBI as well as ordinary equity representing approximately 12.12% of the issued voting capital of BBI (reduced from approximately 17% immediately prior to BBI's latest refinancing in March 2012 - see Material events, above). The Company also holds warrants in BBI giving it the right to subscribe for additional ordinary shares. At 31 March 2012, BBI represented 6.4% of NAV.

In-Pipe Technology, Inc. ("In-Pipe")

In-Pipe is a privately held technology provider which has a patented biological process that treats wastewater upstream within the underground sewer system. It presents an innovative alternative to traditional solutions which treat wastewater upon arrival at the treatment plant, leading to substantial cost savings by means of reduction of aeration energy required, sludge output and infrastructure corrosion. In-Pipe operates in the United States, Mexico, Canada and Spain. The Company owns 26% of In-Pipe on a fully diluted basis. At 31 March 2012, In-Pipe represented 6.4% of NAV.

Further enquiries

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Important information

This Interim Management Statement has been produced solely to provide additional information to shareholders as a whole to meet the relevant requirements of the UK Listing Authority's Disclosure and Transparency Rules. It should not be relied upon by any other party for any other purpose. The information in this statement has not been audited except as indicated.

The information related to the Company included in this statement is provided for information purposes only and does not constitute an invitation or offer to subscribe for or purchase shares in the Company. This material is not intended to provide a sufficient basis on which to make an investment decision. All investments are subject to risk. An investment in the Company should be regarded as long term in nature and is suitable only for sophisticated investors, investment professionals, high net worth individuals, unincorporated associations and partnerships and trustees of high value trusts, in each case, who can bear the economic risk of a substantial or entire loss of their investment. Prospective investors are advised to seek expert legal, financial, tax and other professional advice before making any investment decisions.

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.

Fundamentals

Listing date: 24 July 2008

Ordinary shares outstanding: 72,464,340

Latest audited NAV per Ordinary Share (31 December 2011): EUR0.9499

Latest estimated unaudited NAV per Ordinary Share (31 March 2012): EUR1.02086

Number of investments/continents: 5/3

Total invested (31 March 2012): 93.4% of net assets

Investment objective

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

The Company invests principally in businesses that are involved in: (i) water treatment and recycling (i.e. wastewater and recycling, water treatment and purification); (ii) water infrastructure (i.e. water distribution); and (iii) water application and conversion (water-to-energy and desalination) with the objective of capturing the growth opportunities emerging from the attractive long-term trends and fundamentals driving the water industry.

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