

BWT UK Limited

Directors' Report and Financial Statements
For the year ended 31 December 2019

Registered number: 01386074



BWT UK Limited

Company information

Registered Office: BWT House
Coronation Road
Cressex Business Park
High Wycombe
Buckinghamshire HP12 3SU

Directors: Mr J N Wicks
Mr S T Sperring
Mr R D Martin
Mr A Weissenbacher
Mr G Speigner

Company Secretary: Mr R D Martin

Bankers: HSBC Bank plc
1 Corn Market
High Wycombe HP11 2AY

Auditors: Ernst & Young LLP
400 Capability Green
Luton LU1 3LU

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Strategic report

For the year ended 31 December 2019

The principal activities of the company are the sale and distribution of water treatment products and bottled water equipment from a number of branches in the UK.

Business Review

During the year trading met expectations with revenues for the year up 3% with particular strong growth in the sale of water softeners. Gross margin was slightly down at 43% reflecting a continued change in the mix of business towards water softeners.

The company slightly reduced its advertising and promotion spend from the high levels in the previous two years. This reduction and the impact of IFRS16 adoption contributed to a £374,000 increase in operating profit to £929,000.

The working capital position of the company remained strong. Due to the change in the mix of the business towards water softeners and an increase in buffer stock to take account of potential longer lead times arising from the UK leaving the EU the level of inventory held by the company increased by 22%.

Principle Risks and Uncertainties

Price Risk

The company is exposed to commodity price risk particularly for raw materials and fuel. The company monitors these costs and take corrective action when relevant.

Credit Risk

The company has implemented policies that require appropriate credit checks on potential customers and ongoing review of credit levels for existing customers. These credit limits are amended when appropriate.

Covid-19

The reduction in business activity as a result of the covid-19 pandemic has had an impact on the revenues of the bottled water and service businesses elements in particular as many of their customers have been closed or we have been unable to access customer locations due to government restrictions. There is uncertainty over the length of any restrictions and the speed with which the economy will reopen. The company has taken steps to reduce activities accordingly to ensure the impact on profitability is minimised.

Key Performance Indicators

The Company measures its performance against strategic objectives by means of key performance indicators. The main KPIs are as follows:

- EBITDA (earnings before interest, taxation, depreciation and amortisation) before impact of adoption of IFRS16: EBITDA increased by 11% over the prior year.
- Free Cashflow from operating activities: Increased 63% over the prior year due to the increased profit and improved working capital position
- Sales per Employee: increased 4.7% over the prior year.

By Order of the Board



R D Martin

Secretary

Date: 26th August 2020

Directors' report

For the year ended 31 December 2019

The directors present their directors' report and financial statements for the year ended 31 December 2019.

Results and Dividend

The profit before tax for the year ended 31 December 2019 was £830,000 (2018: £552,000). Interim dividends of £nil were paid in the year (2018: £1,300,000). The directors do not recommend payment of a final dividend (2018: £nil).

The retained profit transferred to reserves for the year ended 31 December 2019 (net of dividends paid) was £622,000 (2018: loss of £890,000).

Subsequent Events

Covid-19

Subsequent to the year end the company was impacted by the Covid-19 pandemic. The principle impact on the company has been the level of demand in some of its markets. As a result the company has reduced its activities taking advantage of the government job retention scheme to furlough over 50% of the workforce. As government restrictions reduce the company will gradually increase activities and bring staff back to work. There has not been any significant disruption to the supply chain and while exercising appropriate social distancing manufacturing has continued to meet demand.

The company has not seen an increase in issues with collections of accounts receivable and therefore has not made any adjustment to its provision for doubtful debts. The majority of its inventory is held for water softener production where demand has not been reduced so there has been no significant impact on the stock provision.

Although revenue will be reduced due to the Covid-19 pandemic the company has taken steps to mitigate the impact on profitability and does not believe any of its assets have been materially impaired.

Sale of Pharmaceutical Division

On the 1st August 2020 the company sold its Pharmaceutical division for £2,500,000 as it was deemed to not be core to the BWT UK Limited business. The net assets of the division sold were £24,000.

Going Concern

The Company's business activities, together with the factors likely to affect its' future performance, and its financial position, are described in the Strategic Review.

The Company has strong financial resources and well-established relationships with a wide distribution of customers and suppliers in all relevant geographies. As a consequence, the directors believe that the Company is well placed to successfully manage its business risks.

The Directors have adjusted their forecasts for the impact of the Covid-19 pandemic and although it will reduce revenue and profitability they believe that the measures they have put in place will ensure the company remains profitable for the foreseeable future. The measures include furloughing staff where appropriate and reducing or delaying marketing and capital expenditure. The company remains cash generative and has no liquidity problems.

Director's Report (continued)

Going Concern (continued)

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis for preparing the annual report and accounts.

Directors

The directors who held office during the year were as follows:

J N Wicks
S T Sperring
R D Martin
A Weissenbacher
G Speigner

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware. Having made enquiries of fellow directors each director has taken all the steps that they are obliged to take as directors to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

In accordance with s485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditors of the Company.

By Order of the Board:



R D Martin

Secretary

Date: 26th August 2020

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

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

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of BWT UK Limited

Opinion

We have audited the financial statements of BWT UK Limited for the year ended 31 December 2019 which comprise the Statement of comprehensive income, the Statement of changes in equity, the Balance sheet and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Emphasis of Matter – Effects of COVID-19

We draw attention to notes 2.1 and 25 of the financial statements, which describe the economic and social consequences the company is facing as a result of COVID-19 which is impacting customer demand and personnel. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

Independent auditor's report to the members of BWT UK Limited (continued)

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

Ernst & Young LLP

Mandip Dosanjh (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Luton

Date *26 August 2020*

Statement of Comprehensive Income

For the year ended 31 December 2019

	Notes	2019	2018
		£000	£000
Turnover	3	19,672	19,054
Cost of sales		(11,232)	(10,645)
Gross profit		<u>8,440</u>	<u>8,409</u>
Selling and Distribution costs		(3,447)	(3,446)
Administrative costs		(4,064)	(4,408)
Operating profit	4	<u>929</u>	<u>555</u>
Finance costs	7	(99)	(3)
Profit on ordinary activities before taxation		<u>830</u>	<u>552</u>
Tax on profit on ordinary activities	8	(208)	(142)
Total comprehensive income for the year		<u>622</u>	<u>410</u>

The accompanying notes on pages 14 to 34 are an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2019

	Notes	Called Up Share Capital £'000	Share Premium Account £'000	Retained Earnings £'000	Total Equity £'000
At 1 January 2018		68	1,432	2,267	3,767
Total comprehensive income for the financial year		-	-	410	410
Equity dividends paid		-	-	(1,300)	(1,300)
At 31 December 2018		<u>68</u>	<u>1,432</u>	<u>1,377</u>	<u>2,877</u>
Total comprehensive income for the financial year		-	-	622	622
At 31 December 2019		<u>68</u>	<u>1,432</u>	<u>1,999</u>	<u>3,499</u>

Balance sheet

at 31 December 2019

	Notes	31 December 2019 £000	31 December 2018 £000
Fixed assets			
Intangible assets	10	28	135
Tangible assets	11	2,090	2,118
Right of Use assets	12	2,359	-
Investments	13	-	-
		<u>4,477</u>	<u>2,253</u>
Current assets			
Inventories	14	2,530	2,076
Trade and other receivables	15	2,583	2,702
Cash at bank and in hand		1,199	946
Deferred tax assets	8	-	11
		<u>6,312</u>	<u>5,735</u>
Creditors: amounts falling due within one year	16	<u>(5,119)</u>	<u>(4,947)</u>
Income tax payable		(55)	(54)
Net current assets		<u>1,138</u>	<u>734</u>
Total assets less current liabilities		<u>5,615</u>	<u>2,987</u>
Creditors: amounts falling due after more than one year	17	<u>(1,933)</u>	<u>-</u>
Deferred tax liability	8	(118)	(50)
Provision for liabilities	19	(65)	(60)
Net assets		<u>3,499</u>	<u>2,877</u>
Capital and reserves			
Called-up share capital	20	68	68
Share premium account		1,432	1,432
Retained earnings		1,999	1,377
Total Equity		<u>3,499</u>	<u>2,877</u>

The accompanying notes on pages 14 to 34 are an integral part of these financial statements.

These financial statements were approved by the board of directors on 26th August 2020 and were signed on its behalf by:



J N Wicks
Director

Registered number: 01386074

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Notes to the financial statements

(forming part of the financial statements)

1. Authorisation of financial statements and statement of compliance with FRS 101

BWT UK Limited (the "Company") is a company limited by shares, incorporated in England and Wales, United Kingdom, having its registered office at BWT House, Coronation Road, High Wycombe, HP12 3SU. The financial statements for the Company for the year ended 31 December 2019 were authorised for issue by the board of directors on 26th August 2020 and the balance sheet was signed on the board's behalf by J N Wicks.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101), the Financial Reporting Standard applicable in the UK, and in accordance with Companies Act 2006. The financial statements are prepared under the historical cost convention.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of BWT AG.

The results of BWT UK Limited are included in the consolidated financial statements of BWT AG which are publicly available from A-5310 Mondsee, Walter-Simmer-Strasse 4.

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

2. Accounting policies

2.1. Going Concern

The Company has strong financial resources and well-established relationships with a wide distribution of customers and suppliers in all relevant geographies. As a consequence, the directors believe that the Company is well placed to successfully manage its business risks.

The Directors have adjusted their forecasts for the impact of the Covid-19 pandemic and although it will reduce revenue and profitability they believe that the measures they have put in place will ensure the company remains profitable for the foreseeable future. The measures include furloughing staff where appropriate and reducing or delaying marketing and capital expenditure. The company remains cash generative and has no liquidity problems.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis for preparing the annual report and accounts.

2.2. Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2019.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a) the requirements of IFRS 7 Financial Instruments: Disclosures;
- b) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- c) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:

Notes to the financial statements (continued)

- (i) paragraph 79(a)(iv) of IAS 1;

2. Accounting policies (continued)

- (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- (iii) paragraph 118(e) of IAS 38 Intangible Assets; and
- (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property;
- d) the requirements of paragraphs 10(d), 10(f), and 134-136 of IAS 1 Presentation of Financial Statements;
- e) the requirements of IAS 7 Statement of Cash Flows;
- f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- h) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ; and
- i) the requirements of paragraph 130 (f)(ii) – 130 (f)(iii) of IAS36 Impairment of assets.
- j) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to(c), 120-127 and 129 of IFRS15 Revenue from Contracts with Customers.

2.3. Change in accounting policy

New standards, interpretations and amendments effective

The following have been applied for the first time from 1 January 2019 and have had an effect on the financial statements:

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The prior period figures were not adjusted and there was no impact on retained earnings. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The effect of adopting IFRS 16 as at 1 January 2019 (increase/(decrease)) is, as follows:

	£000
Assets	
Right-of-use assets	2,688
Total Assets	2,688
Liabilities	
Interest-bearing loans and borrowing	2,508

Notes to the financial statements (continued)

Accruals and deferred income	180
<i>Total Liabilities</i>	<u>2,688</u>

2. Accounting policies (continued)

The Company has lease contracts for various properties, vehicles and other equipment. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Company.

Leases previously classified as finance leases

The Company did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 January 2019.

Leases previously accounted for as operating leases

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application

Based on the above, as at 1 January 2019:

- Right-of-use assets of £2,688,000 were recognised and presented separately in the statement of financial position.
- Additional lease liabilities of £2,508,000 (included in Obligations under finance leases) were recognised.
- Accruals of £180,000 related to dilapidations on the leased properties were recognised.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

Assets	£000
Operating lease commitments as at 31 December 2018	2,430
Weighted average incremental borrowing rate as at 1 January 2019	3.2%
Discounted operating lease commitments as at 1 January 2019	<u>2,217</u>

Notes to the financial statements (continued)

Add: Commitments relating to contracts entered	342
Less: Commitments relating to leases of low-value assets	(51)
Lease liabilities as at 1 January 2019	<u>2,508</u>

2. Accounting policies (continued)

2.4. Judgement and key sources of estimation uncertainty

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

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

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 8.

2.5. Significant accounting policies

Foreign currency translation

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

Transactions and balances

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

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

Intangible assets

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets, is determined on a transaction by transaction basis. Acquisition costs incurred are expensed and included in administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

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

Notes to the financial statements (continued)

2. Accounting policies (continued)

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Investments

Investments in subsidiaries, associates and joint ventures are held at historical cost less any applicable provision for impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment, other than land, on a straight-line basis over its expected useful life as follows:

Freehold land	not depreciated
Freehold buildings	25 – 40 years
Leasehold improvements	over life of lease
Motor vehicles	4 years
Fixtures, fittings, tools and equipment	3 – 10 years

Right of use assets are depreciated on a straight-line basis over the length of the lease.

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

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

Impairment of non-financial assets

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

Notes to the financial statements (continued)

2. Accounting policies (continued)

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

Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right of Use Assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term. Right of use assets are tested for impairment in accordance with IAS36 Impairment of Assets as disclosed in the Impairment of non-financial assets policy above.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

ii) Lease Liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

Notes to the financial statements (continued)

2. Accounting policies (continued)

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in its leases therefore it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

iv) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Company as a lessor

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

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

Inventories

Inventories are stated at the lower of cost, on a weighted average basis, and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials and consumables – including freight and duty where applicable

Work in progress and finished goods - cost of direct materials and labour based on a normal level of activity

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision for impairment is made through profit or loss when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Notes to the financial statements (continued)

2. Accounting policies (continued)

Cash at bank and in hand

Cash and short term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

Income taxes

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

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

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

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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

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

Pensions and other post-employment benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The amounts charged to the income statement represent the contributions payable to the scheme in respect of the accounting period.

Revenue recognition

Recognition

The company earns revenue from the sale of water treatment products and distribution of water treatment products and bottled water treatment products. This revenue is recognised in the accounting period when control of the product has been transferred, at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

The principles in IFRS 15 are applied to revenue recognition criteria using the following 5 step model:

1. Identify the contracts with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

Notes to the financial statements (continued)

2. Accounting policies (continued)

Fee arrangements

Below are details of fee arrangements and how these are measured and recognised, for revenue from the sale of products:

- Revenue is recognised when we transfer control and performance obligations are met, usually on delivery of product to customer. Terms of the fee arrangement are detailed in the terms and conditions attached to the invoice.

Performance obligations

Revenue from the sale of goods is recognised when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the trade customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the company has objective evidence that all criteria for acceptance have been satisfied.

Revenue from services (installation of water treatment equipment) is recognised by reference to stage of completion. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Transaction price

The transaction price is the fair value of the consideration received for the product less discounts / rebates and value added taxes. Payment of the transaction price is due immediately when the customer purchases the goods and takes delivery.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Contract assets and receivables

Where goods or services are transferred to the customer before the customer pays consideration, or before payment is due, Contract assets are recognised. Contract assets are included in the Balance Sheet and represent the right to consideration for products delivered.

Contract receivables (loans and advances) are recognised in the Balance Sheet when the company's right to consideration becomes unconditional.

Contract assets & receivables (loans and advances) are classified as current or non-current based on the company's normal operating cycle and are assessed for impairment at each reporting date.

Contract liabilities

Contract liabilities and customer deposits are recognised in the Balance Sheet when the company has received consideration but still has an obligation to deliver products and meet performance obligations for that consideration.

Net basis of measurement of contract balances

Contract asset and contract liability positions are determined for each contract on a net basis. This is because the rights and obligations within each contract are considered inter-dependent. Where two contracts are with the same or related entities, an assessment is made of whether contract assets and liabilities are inter-dependent and if so, contract balances are reported net.

Notes to the financial statements (continued)

2. Accounting policies (continued)

Impairment of contract related balances

At each reporting date, the company determines whether or not such assets are impaired by comparing the carrying amount of the asset to the remaining amount of consideration that the company expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the company uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial asset – recognition and measurement

Financial assets are recognised when the entity becomes a party to the contract and, as a consequence, has a legal right to receive cash.

All financial assets are initially measured at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

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

(a) Financial assets at fair value through profit or loss or at fair value through other comprehensive income

There are no instruments which have been classified under this category.

(b) Financial assets at amortised cost

The company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

This category is the most relevant to the company. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss.

Notes to the financial statements (continued)

2. Accounting policies (continued)

Impairment of financial assets

In accordance with IFRS 9, the company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- a) Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance.
- b) Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of IFRS 15.

For trade and other receivables, the company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses and trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Financial liabilities - recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The company's financial liabilities comprise of trade creditors, amounts owed to group undertakings and bank overdrafts.

Subsequent measurement

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

(a) Financial liabilities at fair value through profit or loss

(b) Loans and borrowings

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

The company does not have any financial liabilities which are subsequently re-measured at fair value through profit or loss.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Notes to the financial statements (continued)

2. Accounting policies (continued)

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Warranty costs

The company provides for the cost of rectification or replacement of parts on defective water purification equipment on a three year 'fit for purpose' basis. Associated labour costs are not provided for as the directors consider these to be fixed.

3. Turnover

Turnover recognised in the income statement is analysed as follows:

	2019	2018
	£000	£000
Sale of goods	16,576	16,602
Rendering of services	3,096	2,452
Turnover from continuing operations	19,672	19,054

No turnover was derived from exchanges of goods or services (2018: nil).

The turnover for the year is attributable to two activities, the sale and distribution of bottled water and the sale of water purification equipment and related services. Analysis of turnover by geographical market for these two activities is as follows:

	2019	2018
	£000	£000
a) Bottled water		
United Kingdom	4,763	4,784
b) Water purification equipment and related services		
United Kingdom	9,615	10,060
Other European Union	5,183	4,115
Rest of World	111	95
	14,909	14,270
Total turnover	19,672	19,054

Turnover by origin and destination are not materially different.

Notes to the financial statements (continued)

4. Operating profit

This is stated after charging / (crediting):

	31 December 2019 £000	31 December 2018 £000
Depreciation of tangible fixed assets	470	399
Depreciation of right of use assets	506	-
Loss on disposal of fixed assets	6	4
Amortisation of intangible assets	107	132
Net foreign currency exchange differences	78	68
Leases expense - property	32	265
Leases expense - equipment	186	340
Cost of inventories recognised as an expense (included in cost of sales)	8,301	7,782
Write-down of inventories to net realisable value	59	27

The company applied IFRS16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. In 2018 lease expenses relate to operating leases under IAS17.

Of the equipment lease expenses £41,000 relates to low value assets, £64,000 to excess mileage on leased vehicles and £81,000 relates to short term leases. The property lease expenses relate to short term leases.

5. Auditors' remuneration

	31 December 2019 £000	31 December 2018 £000
Amounts receivable by the auditors and their associates in respect of:		
UK statutory audit	26	28
Other services related to taxation	-	-
	<u>26</u>	<u>28</u>

6. Staff costs and directors' remuneration

a) Staff Costs

	31 December 2019 £000	31 December 2018 £000
Wages and salaries	4,208	4,198
Social security costs	434	428
Other pension costs (note 22)	188	139
	<u>4,830</u>	<u>4,765</u>

The average monthly number of employees (including directors) analysed by category during the year was as follows:

	31 December 2019	31 December 2018
Production	31	27
Sales and service	97	102
Administration	18	19
	<u>146</u>	<u>148</u>

Notes to the financial statements (continued)

6. Staff costs and directors' remuneration (continued)

b) Directors' remuneration

	31 December 2019 £000	31 December 2018 £000
Directors' emoluments	384	406
Contributions to defined contribution pension scheme	47	19
	<u>431</u>	<u>425</u>

The number of directors to whom retirement benefits are accruing under personal pension plans to which the company has contributed is 3 (31 December 2018: 3).

The above amounts for directors' emoluments include the following in respect of the highest paid director:

	31 December 2019 £000	31 December 2018 £000
Emoluments	188	196
Contributions to defined contribution pension scheme	17	9
	<u>205</u>	<u>205</u>

A Weissenbacher and G Speigner provide services to this company and a number of other group companies. The salary of these Directors is paid by other companies within the group and no recharge is made to the company in this regard.

7. Finance Costs

	31 December 2019 £000	31 December 2018 £000
Finance expense on leases	76	-
Payable to group undertakings	23	3
	<u>99</u>	<u>3</u>

8. Taxation

a) Tax charged in the income statement:

	31 December 2019 £000	31 December 2018 £000
<i>Current income tax:</i>		
Current tax on income for the period	128	125
Adjustment in respect of prior periods	1	-
Total current income tax	<u>129</u>	<u>125</u>
<i>Deferred tax:</i>		
Decelerated capital allowances	79	18
Other timing differences	(1)	(1)
Adjustment in respect of prior periods	1	-
Total deferred tax	<u>79</u>	<u>17</u>
Tax expense in the income statement	<u>208</u>	<u>142</u>

Notes to the financial statements (continued)

8. Taxation (continued)

b) Reconciliation of the total tax charge

The current tax charge for the period is higher (2018: higher) than the standard rate of corporation tax of 19% (2018: 19%). The differences are explained below:

	31 December 2019 £000	31 December 2018 £000
Profit on ordinary activities before taxation	830	552
Current tax at 19% (2018: 19%)	158	105
effects of:		
Other permanent differences	41	28
Non-Qualifying depreciation	9	9
Total tax expense reported in the income statement	208	142

c) Provision for deferred tax

	31 December 2019 £000	31 December 2018 £000
Provision at start of period	(39)	(22)
(Debit) to the income statement	(78)	(17)
Adjustments in respect of prior years	(1)	-
Undiscounted deferred tax (liability) at 31 December	(118)	(39)

Deferred taxation comprises:

	31 December 2019 £000	31 December 2018 £000
Accelerated capital allowances	(92)	(50)
Other temporary differences	(26)	11
Undiscounted deferred tax liability at 31 December	(118)	(39)

The company has tax capital losses of £3,050,947 carried forward as at 31 December 2019 (2018: £3,050,947). A deferred tax asset has not been recognised on these losses as the directors are uncertain when relevant capital profits will arise against which the losses can be utilised.

d) Factors that may affect future tax charges:

Finance Act 2016 introduced the legislation to reduce the rate from 19% to 17% from 1 April 2020 and these changes were substantially enacted at the balance sheet date. Accordingly, deferred tax balances as at 31 December 2019 have been calculated at the rate at which the timing differences are expected to reverse. In November 2019 the Prime Minister announced that he intended to cancel the future reduction in the corporate tax rate from 19% to 17%. This announcement does not constitute substantive enactment and therefore deferred taxes at the balance sheet date continue to be measured at the enacted rate of 17%. However it is possible that the corporation tax rate remains at 19% after 1 April 2020.

9. Dividends paid

The company paid dividends in the 2019 financial year of £nil (2018: £1,300,000). These corresponded to £nil per share (2018: £19.07).

Notes to the financial statements (continued)

10. Intangible assets

	Total £000
Cost	
At 1 January 2019 and 31 December 2019	<u>685</u>
Amortisation	
At 1 January 2019	550
Charge for the period	107
At 31 December 2019	<u>657</u>
Net book value	
At 31 December 2019	<u>28</u>
At 31 December 2018	<u>135</u>

11. Tangible assets

	Freehold land and buildings £000	Short Leasehold improvements £000	Motor vehicles £000	Fixtures, fittings, tools and equipment £000	Total £000
Cost					
At 1 January 2019	1,335	383	25	3,962	5,705
Additions	5	38	3	437	483
Disposals	-	-	-	(226)	(226)
At 31 December 2019	<u>1,340</u>	<u>421</u>	<u>28</u>	<u>4,173</u>	<u>5,962</u>
Depreciation					
At 1 January 2019	701	373	6	2,507	3,587
Charge for period	42	4	6	418	470
Disposals	-	-	-	(185)	(185)
At 31 December 2019	<u>743</u>	<u>377</u>	<u>12</u>	<u>2,740</u>	<u>3,872</u>
Net book value					
At 31 December 2019	<u>597</u>	<u>44</u>	<u>16</u>	<u>1,433</u>	<u>2,090</u>
At 31 December 2018	<u>634</u>	<u>10</u>	<u>19</u>	<u>1,455</u>	<u>2,118</u>

Notes to the financial statements (continued)

12. Right of Use assets

	Leasehold land and buildings £000	Motor Vehicles £000	Total £000
Cost			
IFRS16 initial Recognition	2,076	612	2,688
Additions	-	177	177
At 31 December 2019	<u>2,076</u>	<u>789</u>	<u>2,865</u>
Depreciation			
Charge for period	224	282	506
At 31 December 2019	<u>224</u>	<u>282</u>	<u>506</u>
Net book value			
At 31 December 2019	<u>1,852</u>	<u>507</u>	<u>2,359</u>

13. Fixed asset investments

	31 December 2019 £000	31 December 2018 £000
Subsidiary undertakings	<u>-</u>	<u>-</u>

The companies in which the company's interest is more than 20% are as follows:

Subsidiary undertaking	Country of incorporation	Principal activity	Class of shares	Percentage of shares held
BWL (Racing) Invest Limited	England and Wales	Non-trading	Ordinary	100%
Aqua-Dial Limited	England and Wales	Non-trading	Ordinary	100%
Liff Holdings Limited	England and Wales	Non-trading	Ordinary	100%
BWT Racing Limited	England and Wales	Non-trading	Ordinary	100%

BWT Racing Limited is a 100% subsidiary of BWT (Racing) Invest Limited.

The registered office for each of the companies listed above is:

BWT House
Coronation Road
Cressex Business Park
High Wycombe
Buckinghamshire HP12 3SU

	Shares in group undertakings £000
Cost	
At 1 January 2019 and 31 December 2019	<u>8,209</u>
Impairment	
At 1 January 2019 and 31 December 2019	<u>8,209</u>
Net book value	
At 1 January 2019 and 31 December 2019	<u>-</u>

Notes to the financial statements (continued)

14. Inventories

	31 December 2019 £000	31 December 2018 £000
Raw materials	1,777	1,390
Work in progress	45	-
Finished goods and goods for resale	708	686
	<u>2,530</u>	<u>2,076</u>

15. Trade and other receivables

	31 December 2019 £000	31 December 2018 £000
Amounts falling due within one year:		
Trade receivables	2,093	2,161
Amounts owed by group undertakings	243	232
Prepayments and accrued income	247	309
	<u>2,583</u>	<u>2,702</u>

The amounts owed by group undertakings are non-interest bearing and are normally settled on 30 day terms.

16. Creditors: amounts falling due within one year

	31 December 2019 £000	31 December 2018 £000
Trade creditors	2,320	2,239
Amounts owed to group undertakings	353	595
Other taxes and social security	237	223
Accruals and deferred income	1,688	1,890
Lease liabilities	521	-
	<u>5,119</u>	<u>4,947</u>

The amounts owed to group undertakings comprise £53,000 that is non-interest bearing and is payable on 30 day terms and a £300,000 loan that is payable by 30th November 2020. The interest rate on the loan is 2.75% pa.

17. Creditors: amounts falling after more than one year

	31 December 2019 £000	31 December 2018 £000
Accruals and deferred income	180	-
Lease liabilities	1,753	-
	<u>1,933</u>	<u>-</u>

The company applied IFRS16 at 1 January 2019 using the modified retrospective approach. Under this approach comparative information is not restated. Thus, the comparative lease liabilities presented are based on IAS17 while the current year are based on IFRS16.

Notes to the financial statements (continued)

18. Leases

The Company has lease contracts for various items of property and vehicles used in its operations. Leases of property generally have lease terms of 10 years, while motor vehicles and other equipment generally have lease terms between 3 and 5 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Company also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Leasehold Property £000	Motor Vehicles £000	Total £000
As at 1 January 2019	2,076	612	2,688
Additions	-	177	177
Depreciation Expense	(224)	(282)	(506)
At 31 December 2019	1,852	507	2,359

Set out below are the carrying amounts of lease liabilities (included obligations under finance leases) and the cashflow movements during the period:

	£000
As at 1 January 2019	2,508
Additions	177
Accretion of interest	76
Payments	(487)
At 31 December 2019	2,274

These are included in:

Creditors: amounts falling due within one year (note 16)	521
Creditors: amounts falling due after more than one year (note 17)	1,753
	2,274

The table below summarises the maturity profile of the Company's lease liabilities based on gross contractual undiscounted cashflows:

	£000
not later than 1 year	50
after 1 year but not more than 5 years	535
after five years	1,918
Total lease liabilities (undiscounted)	2,503
Impact of finance expenses	(229)
As at 31 December 2019	2,274

Notes to the financial statements (continued)

18. Leases (continued)

The following are the amounts recognised in profit or loss:

	£000
Depreciation expense of right-of-use assets	506
Interest expense on lease liabilities	76
Expense relating to short term liabilities (included in cost of sales)	63
Expense relating to short term liabilities (included in selling and distribution expenses)	102
Expense relating to short term liabilities (included in administrative expenses)	12
Expense relating to leases of low-value assets (included in cost of sales)	14
Expense relating to leases of low-value assets (included in selling and distribution expenses)	9
Expense relating to leases of low-value assets (included in administrative expenses)	18
Total amount recognised in profit or loss	800

Future minimum lease payments due under low value leases as at 31 December 2019 are £75,000 and under short term leases £16,000.

19. Provision for liabilities

	Insurance provision £000	Warranty provision £000	Total £000
Liability at 1 January 2019	22	38	60
Provided in the year	1	5	6
Utilised in the year	-	(1)	(1)
Liability at 31 December 2019	23	42	65

A provision of £42,000 (2018: £38,000) has been recognised for estimated future warranty claims on products sold during the last financial year.

A provision of £23,000 (2018: £22,000) has been recognised for estimated costs arising from current claims, being the excess liability the company pays as required by its product liability insurance.

20. Called-up share capital

	31 December 2019 £	31 December 2018 £
<i>Allotted, called-up and fully paid</i>		
Equity: 68,184 ordinary shares of £1 each	68,184	68,184

21. Commitments

There were no capital commitments at the end of the financial year (2018: £Nil).

22. Pension Scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £188,000 (2018: £139,000).

The company had an outstanding liability of £28,000 in respect of company and employee contributions to be paid into the scheme at the financial year end (2018: £23,000).

Notes to the financial statements (continued)

23. Related Party Transactions

The company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with entities which form part of the group as at 31 December 2019 (or investees of the group qualifying as related parties) because it is a wholly owned subsidiary and its results are included within consolidated financial statements which are available to the public and can be obtained from the address given in note 24.

24. Ultimate parent company

The immediate holding company is BWT AG, incorporated in Austria. The ultimate controlling company is FIBA Beteiligungs und Anlage GmbH, a company incorporated in Austria. The smallest and largest group in which the results of the Company are consolidated is that headed by BWT AG. Copies of the financial statements of this group are available from A-5310 Mondsee, Walter-Simmer-Strasse 4.

25. Subsequent Events

Covid-19

Subsequent to the year end the company was impacted by the Covid-19 pandemic. The principle impact on the company has been the level of demand in some of its markets. As a result the company has reduced its activities taking advantage of the government job retention scheme to furlough over 50% of the workforce. As government restrictions reduce the company will gradually increase activities and bring staff back to work. There has not been any significant disruption to the supply chain and while exercising appropriate social distancing manufacturing has continued.

The company has not seen an increase in issues with collections of accounts receivable and therefore does not believe any material adjustment is required to its provision for doubtful debts. The majority of the company's inventory is held for water softener production where demand has not been reduced so there has been no significant impact on the stock provision.

Although revenue will be reduced due to the Covid-19 pandemic the company has taken steps to mitigate the impact on profitability and does not believe any of its assets have been materially impaired.

Sale of Pharmaceutical Division

On the 1st August 2020 the company sold its Pharmaceutical division for £2,500,000 as it was deemed to not be core to the BWT UK Limited business. The net assets of the division sold were £24,000.