

BWT UK Limited

Directors' Report and Financial Statements  
For the year ended 31 December 2018

Registered number: 01386074

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***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 2018*

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 6% with growth in most areas of the business. The largest increases were in the sales of water softeners and water filters. Gross margin was slightly down at 44% reflecting a change in the mix of business towards water softener and water filter sales.

The company maintained its higher level of advertising and promotion spend in the year in order to continue its aim of increasing brand awareness. The increased sales therefore led to a £64,000 increase in operating profit to £555,000.

The working capital position of the company remained strong with no significant variances.

## ***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.


## ***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): EBITDA increased by 4% over the prior year.
- Free Cashflow from operating activities: Increased 23% over the prior year due to the increased profit and improved working capital position
- Sales per Employee: increased 3.8% over the prior year.

BWT House  
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Bucks  
HP12 3SU

By order of the Board

  
.....  
R D Martin  
Secretary

Date: 18<sup>th</sup> June 2019

# **Directors' report**

***For the year ended 31 December 2018***

The directors present their directors' report and financial statements for the year ended 31 December 2018.

## ***Results and Dividend***

The profit before tax for the year ended 31 December 2018 was £552,000 (2017: £1,478,000). Interim dividends of £1,300,000 were paid in the year (2017: £1,000,000). The directors do not recommend payment of a final dividend (2017: £nil).

The retained loss transferred to reserves for the year ended 31 December 2018 (net of dividends paid) was £890,000 (2017: £349,000).

## ***Going Concern***

The Directors believe that there are no major risks or uncertainties for the company's future prospects. The company is cash generative and has no liquidity problems.

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.

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.

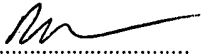
## Director's Report (continued)

### **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.

BWT House  
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By order of the Board

  
.....  
R D Martin  
Secretary

Date: 18<sup>th</sup> June 2019

## **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 2018 which comprise the Statement of comprehensive income, the Statement of changes in equity, the Balance sheet and the related notes 1 to 23, 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 2018 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.

## **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.

## **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.



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

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

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

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 *20 June 2019*

# Statement of Comprehensive Income

*For the year ended 31 December 2018*

	Notes	2018	2017
		£000	£000
<b>Turnover</b>	3	<b>19,054</b>	17,979
Cost of sales		<b>(10,645)</b>	(9,977)
<b>Gross profit</b>		<b>8,409</b>	8,002
Distribution costs		<b>(3,446)</b>	(3,292)
Administrative costs		<b>(4,408)</b>	(4,219)
<b>Operating profit</b>	4	<b>555</b>	491
Profit on disposal of intangible asset	5	-	990
Interest payable	8	<b>(3)</b>	(3)
<b>Profit on ordinary activities before taxation</b>		<b>552</b>	1,478
Tax on profit on ordinary activities	0	<b>(142)</b>	(129)
<b>Total comprehensive income for the year</b>		<b>410</b>	1,349

The accompanying notes on pages 14 to 31 are an integral part of these financial statements.

## Statement of Changes in Equity

*For the year ended 31 December 2018*

	Notes	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Total Equity £'000
<b>At 1 January 2017</b>		68	1,432	1,918	3,418
Total comprehensive income for the financial year		-	-	1,349	1,349
Equity dividends paid		-	-	(1,000)	(1,000)
<b>At 31 December 2017</b>		<u>68</u>	<u>1,432</u>	<u>2,267</u>	<u>3,767</u>
Total comprehensive income for the financial year		-	-	410	410
Equity dividends paid	10	-	-	(1,300)	(1,300)
<b>At 31 December 2018</b>		<u>68</u>	<u>1,432</u>	<u>1,377</u>	<u>2,877</u>

# Balance sheet

at 31 December 2018

	Notes	31 December 2018 £000	31 December 2017 £000
<b>Fixed assets</b>			
Intangible assets	11	135	267
Tangible assets	12	2,118	1,790
Investments	13	-	-
		<u>2,253</u>	<u>2,057</u>
<b>Current assets</b>			
Inventories	14	2,076	1,738
Trade and other receivables	15	2,702	2,621
Cash at bank and in hand		946	1,386
Deferred tax assets	9	11	10
		<u>5,735</u>	<u>5,755</u>
<b>Creditors: amounts falling due within one year</b>	16	<u>(4,947)</u>	<u>(3,929)</u>
Income tax payable		(54)	(13)
<b>Net current assets</b>		<u>734</u>	<u>1,813</u>
<b>Total assets less current liabilities</b>		<u>2,987</u>	<u>3,870</u>
<b>Deferred tax liability</b>	9	(50)	(32)
<b>Provision for liabilities</b>	18	(60)	(71)
<b>Net assets</b>		<u>2,877</u>	<u>3,767</u>
<b>Capital and reserves</b>			
Called-up share capital	19	68	68
Share premium account		1,432	1,432
Retained earnings		1,377	2,267
<b>Total Equity</b>		<u>2,877</u>	<u>3,767</u>

The accompanying notes on pages 14 to 31 are an integral part of these financial statements.

These financial statements were approved by the board of directors on 18 June 2019 and were signed on its behalf by:



J N Wicks  
Director

Registered number: 01386074  
13 BWT UK Limited

## Notes to the financial statements

### (forming part of the financial statements)

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

The financial statements of BWT UK Limited (the "Company") for the year ended 31 December 2018 were authorised for issue by the board of directors on 18 June 2019 and the balance sheet was signed on the board's behalf by J N Wicks. BWT UK Limited is incorporated and domiciled in England and Wales.

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 Republic of Ireland, 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. 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 2018.

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:
  - (i) paragraph 79(a)(iv) of IAS 1;
  - (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)(iii) – 130 (f)(iii) of IAS 36 Impairment of assets.

## *Notes to the financial statements (continued)*

### **2. Accounting policies (continued)**

- 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.

#### **2.2. Change in accounting policy**

##### **New standards, interpretations and amendments effective**

The following have been applied for the first time from 1 January 2018 and have had an effect on the financial statements:

##### **IFRS 15 Revenue from Contracts with Customers**

The company has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018. The standard has resulted in clarification of the revenue recognition accounting policies as detailed below in the revenue recognition policy.

IFRS 15 establishes a five step model to account for revenues arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled to in exchange for transferring services or goods to a customer. However, no adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 January 2018) and the beginning of the earliest period presented (1 January 2017).

##### **IFRS 9 Financial instruments**

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in the clarification of the accounting policies, which are set out below, but no changes in the amounts included in the financial statements. In accordance with the transitional provisions in IFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated.

The company's trade receivables for sales of stock are subject to IFRS 9's new expected credit loss model, and the company was required to revise its impairment methodology under IFRS 9 for this class of assets. The impact of the change in impairment methodology on the company's retained earnings and equity is not considered to be material.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was also considered to be immaterial.

None of the other standards, interpretations and amendments effective for the first time from 1 January 2018 have had a material effect on the financial statements.

##### **IFRS 16 Leases**

IFRS16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires the lessees to account for all leases in the Statement of Financial Position in a similar way to the accounting treatment prescribed in IAS17 for finance leases. The company is continuing to evaluate the impact of adopting IFRS 16, and expects the new standard to have a significant impact on the financial statements. The company expects to apply the modified retrospective approach, with an adjustment to equity at 1 January 2019 and no adjustment to comparatives.

Transition will require the company's lease arrangements to be presented in the Balance Sheet, and adoption will impact on noncurrent assets and liabilities, together with certain measures of profitability.

## *Notes to the financial statements (continued)*

### **2. Accounting policies (continued)**

Following transition IFRS16 will, at the commencement of a new lease, require the lessee to recognise a liability for future lease payments, and an intangible asset representing the right to use that asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability, and the amortisation expense on the right of use asset in profit and loss account.

Disclosure of the nature of the company's existing operating leases, as well as the aggregate of the company's operating lease commitments on a gross basis is provided in note 17 to these financial statements.

#### **2.3. 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:

##### **Operating lease commitments**

The Company as a lessee obtains the use of property, plant and equipment. The classification of such leases as operating or finance lease requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the balance sheet.

##### **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 9.

### **2.4. 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.



## *Notes to the financial statements (continued)*

### **2. Accounting policies (continued)**

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.

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
Bottles	5 years
Fixtures, fittings, tools and equipment	3 – 10 years

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

## *Notes to the financial statements (continued)*

### **2. Accounting policies (continued)**

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.

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**

##### *Company as a lessee*

Assets held under finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement 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

## *Notes to the financial statements (continued)*

### **2. Accounting policies (continued)**

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.

#### **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

## *Notes to the financial statements (continued)*

### **2. Accounting policies (continued)**

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

#### *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.

## *Notes to the financial statements (continued)*

### **2. Accounting policies (continued)**

#### *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.

#### *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.

## *Notes to the financial statements (continued)*

### **2. Accounting policies (continued)**

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.

#### *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.

## Notes to the financial statements (continued)

### 2. Accounting policies (continued)

#### *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.

#### *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:

	2018	2017
	£000	£000
Sale of goods	16,602	15,623
Rendering of services	2,452	2,356
<b>Turnover from continuing operations</b>	<b>19,054</b>	<b>17,979</b>

No turnover was derived from exchanges of goods or services (2017: 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. Analysis of turnover by geographical market for these two activities is as follows:

	2018	2017
	£000	£000
<b>a) Bottled water</b>		
United Kingdom	4,784	4,865
<b>b) Water purification equipment</b>		
United Kingdom	10,060	9,075
Other European Union	4,115	3,911
Rest of World	95	128
	<b>14,270</b>	<b>13,114</b>
<b>Total turnover</b>	<b>19,054</b>	<b>17,979</b>

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 2018 £000	31 December 2017 £000
Depreciation of owned tangible fixed assets	399	365
Loss on disposal of fixed assets	4	4
Amortisation of intangible assets	132	190
Net foreign currency exchange differences	68	25
Cost of inventories recognised as an expense (included in cost of sales)	7,782	7,207
Including write-down of inventories to net realisable value	27	(15)
Operating lease rentals and hire charges:		
- property	265	246
- equipment	340	436

### 5. Exceptional Items

	31 December 2018 £000	31 December 2017 £000
Recognised below operating profit:		
Profit on disposal of intangible assets	-	990

In the prior year the company sold the intellectual property in connection with its water softeners to BWT AG the company's parent company for a profit of £990,000.

### 6. Auditors' remuneration

	31 December 2018 £000	31 December 2017 £000
Amounts receivable by the auditors and their associates in respect of:		
UK statutory audit	28	27
Other services related to taxation	-	-
	28	27

### 7. Staff costs and directors' remuneration

#### a) Staff Costs

	31 December 2018 £000	31 December 2017 £000
Wages and salaries	4,198	4,047
Social security costs	428	418
Other pension costs (note 21)	139	123
	4,765	4,588



## Notes to the financial statements (continued)

### 7. Staff costs and directors' remuneration (continued)

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

	31 December 2018	31 December 2017
Production	27	27
Sales and service	102	100
Administration	19	18
	<u>148</u>	<u>145</u>

#### b) Directors' remuneration

	31 December 2018 £000	31 December 2017 £000
Directors' emoluments	406	418
Contributions to defined contribution pension scheme	19	20
	<u>425</u>	<u>438</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 2017: 3).

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

	31 December 2018 £000	31 December 2017 £000
Emoluments	196	186
Contributions to defined contribution pension scheme	9	8
	<u>205</u>	<u>194</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.

### 8. Interest payable

	31 December 2018 £000	31 December 2017 £000
Payable to group undertakings	3	3
	<u>3</u>	<u>3</u>

## Notes to the financial statements (continued)

### 9. Taxation

#### a) Tax charged in the income statement:

	31 December 2018 £000	31 December 2017 £000
<i>Current income tax:</i>		
Current tax on income for the period	125	113
Adjustment in respect of prior periods	-	21
Total current income tax	<u>125</u>	<u>134</u>
<i>Deferred tax:</i>		
Decelerated capital allowances	18	16
Other timing differences	(1)	(1)
Adjustment in respect of prior periods	-	(20)
Total deferred tax	<u>17</u>	<u>(5)</u>
Tax expense in the income statement	<u>142</u>	<u>129</u>

#### b) Reconciliation of the total tax charge

The current tax charge for the period is higher (2017: lower) than the standard rate of corporation tax of 19% (2017: 19.25%). The differences are explained below:

	31 December 2018 £000	31 December 2017 £000
Profit on ordinary activities before taxation	552	1,478
Current tax at 19% (2017: 19.25%)	<u>105</u>	<u>285</u>
<i>effects of:</i>		
Adjustment in respect of prior periods	-	(1)
Other permanent differences	28	28
Non-Qualifying depreciation	9	8
Brought forward losses utilised in the period	-	(191)
Total tax expense reported in the income statement	<u>142</u>	<u>129</u>

#### c) Provision for deferred tax

	31 December 2018 £000	31 December 2017 £000
Provision at start of period	(22)	(27)
(Debit) to the income statement	(17)	(15)
Adjustments in respect of prior years	-	20
Undiscounted deferred tax (liability) at 31 December	<u>(39)</u>	<u>(22)</u>

Deferred taxation comprises:

	31 December 2018 £000	31 December 2017 £000
Accelerated capital allowances (liability)	(50)	(32)
Other temporary differences (asset)	11	10
Undiscounted deferred tax liability at 31 December	<u>(39)</u>	<u>(22)</u>

## Notes to the financial statements (continued)

### 9. Taxation (continued)

#### d) Factors that may affect future tax charges:

The company has tax capital losses of £3,050,947 carried forward as at 31 December 2018 (2017: £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.

Finance Act 2016 introduced the legislation to reduce the rate from 19% to 18% from 1 April 2020 and these changes were substantially enacted at the balance sheet date. In the budget of 16 March 2016, the Chancellor of the Exchequer announced that the corporation tax rate would be further reduced to 17% from 1 April 2020. Accordingly, deferred tax balances as at 31 December 2018 have been calculated at the rate at which the timing differences are expected to reverse.

### 10. Dividends paid

The company paid dividends in the 2018 financial year of £1,300,000 (2017: £1,000,000). These corresponded to £19.07 per share (2017: £14.67).

### 11. Intangible fixed assets

	Total £000
<b>Cost</b>	
At 1 January 2018	685
Additions	-
At 31 December 2018	<u>685</u>
<b>Amortisation</b>	
At 1 January 2018	418
Charge for the period	132
At 31 December 2018	<u>550</u>
<b>Net book value</b>	
At 31 December 2018	<u>135</u>
At 31 December 2017	<u>267</u>

*Notes to the financial statements (continued)*

**12. Tangible fixed assets**

	Freehold land and buildings £000	Short leasehold improvements £000	Motor vehicles £000	Bottles £000	Fixtures, fittings, tools and equipment £000	Total £000
<b>Cost</b>						
At 1 January 2018	1,291	405	10	278	3,430	5,414
Additions	45	2	23	72	598	740
Disposals	(1)	(24)	(8)	(61)	(355)	(449)
At 31 December 2018	1,335	383	25	289	3,673	5,705
<b>Depreciation</b>						
At 1 January 2018	661	396	8	93	2,466	3,624
Charge for period	41	1	6	56	295	399
Disposals	(1)	(24)	(8)	(49)	(354)	(436)
At 31 December 2018	701	373	6	100	2,407	3,587
<b>Net book value</b>						
At 31 December 2018	634	10	19	189	1,266	2,118
At 31 December 2017	630	9	2	185	964	1,790

**13. Fixed asset investments**

	31 December 2018 £000	31 December 2017 £000
Subsidiary undertakings	-	-

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 (previously BWT Force One 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 was incorporated in the year and 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

## Notes to the financial statements (continued)

### 13. Fixed asset investments (Continued)

	Shares in group undertakings £000
<b>Cost</b>	
At 1 January 2018	-
Additions	-
At 31 December 2018	-
<b>Impairment</b>	
At 1 January 2018	-
Provided during the year	-
At 31 December 2018	-
<b>Net book value</b>	
At 1 January 2018 and 31 December 2018	-

### 14. Inventories

	31 December 2018 £000	31 December 2017 £000
Raw materials	1,390	1,085
Work in progress	-	-
Finished goods and goods for resale	686	653
	<b>2,076</b>	<b>1,738</b>

### 15. Trade and other receivables

	31 December 2018 £000	31 December 2017 £000
Amounts falling due within one year:		
Trade receivables	2,161	2,134
Amounts owed by group undertakings	232	283
Prepayments and accrued income	309	204
	<b>2,702</b>	<b>2,621</b>

### 16. Creditors: amounts falling due within one year

	31 December 2018 £000	31 December 2017 £000
Trade creditors	2,239	1,767
Amounts owed to group undertakings	595	26
Other taxes and social security	223	346
Accruals and deferred income	1,890	1,790
	<b>4,947</b>	<b>3,929</b>

## Notes to the financial statements (continued)

### 17. Obligations under leases and hire purchase contracts

Future minimum lease payments due under non-cancellable operating leases are as follows:

	31 December 2018		31 December 2017	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
- not later than 1 year	254	118	230	117
- after 1 year but not more than 5 years	1,060	126	733	187
- after five years	872	-	646	-
	<b>2,186</b>	<b>244</b>	<b>1,609</b>	<b>304</b>

The Company has entered into commercial leases on certain properties, motor vehicles and items of machinery. These leases have an average duration of between 3 and 10 years. Only the property lease agreements contain an option for renewal, with such options being exercisable three months before the expiry of the lease term at rentals based on market prices at the time of exercise. There are no restrictions placed upon the lessee by entering into these leases.

### 18. Provision for liabilities

	Insurance provision £000	Warranty provision £000	Total £000
Liability at 1 January 2018	34	37	71
Provided in the year	-	1	1
Utilised in the year	(12)	-	(12)
<b>Liability at 31 December 2018</b>	<b>22</b>	<b>38</b>	<b>60</b>

A provision of £38,000 (2017: £37,000) has been recognised for estimated future warranty claims on products sold during the last financial year.

A provision of £22,000 (2017: £34,000) has been recognised for estimated costs arising from current claims, being the excess liability the company pays as required by its product liability insurance.

### 19. Called-up share capital

	31 December 2018 £	31 December 2017 £
<i>Allotted, called-up and fully paid</i>		
Equity: 68,184 ordinary shares of £1 each	<b>68,184</b>	<b>68,184</b>

### 20. Commitments

There were no capital commitments at the end of the financial year (2017: £Nil).

### 21. 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 £139,000 (2017: £123,000).

The company had an outstanding liability of £23,000 in respect of company and employee contributions to be paid into the scheme at the financial year end (2017: £18,000).

## *Notes to the financial statements (continued)*

### **22. 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 2018 (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 23.

### **23. 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.