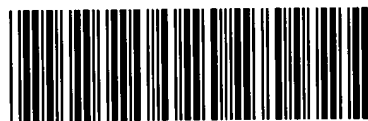


Company Registration No. 04051205 (England and Wales)

WLI (UK) LIMITED
REPORT AND UNAUDITED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020

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WLI (UK) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present the strategic report for WLI (UK) Limited ("the Company") for the year ended 31 December 2020.

Review of the business

Given the nature of the business, the Company's Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Except for taking over as the master distributor for the Waterlogic Group, the Directors believe that the Company will continue to operate in a similar manner in 2021.

Strategy

The Company continues to bear the costs of being the strategic manager for the Group headed by Waterlogic Group Holdings Limited ("the Group") and its results relate to the Group return after other Group entities have been rewarded for supply chain, third party distribution activities and Intellectual Property ("IP") run-off. The Company's resources are focused on the activities of the Group entities by helping to ensure regulatory, statutory and local compliance, business growth and keeping up with developments within the industry in which they operate.

Board of Director activities during 2020

During 2020 the Board of Directors ("The Board") made a number of key strategic decisions to drive the Company and Group forward. The following were the key areas considered and decided upon by the Board during 2020:

- To proactively and effectively manage the business to minimise the impact of the COVID-19 pandemic on the Company's profits and cash flows;
- Protect and support our core capabilities, in particular our key people, so we are well placed to accelerate growth activities when economies recover from the COVID-19 pandemic;
- To progress the Group's IT solutions; and
- To continue to invest in new and existing product development.

Section 172 statement

The Board is fully aware of its duty to promote the success of the Company pursuant to Section 172 of the Companies Act 2016. Consequently, each Director must act in a way he considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequence of any decision in the long term
- the interests of the Company's employees
- the need to foster the Company's business relationships with suppliers, customers and others
- the impact of the Company's operations on the community and the environment
- the desirability of the Company maintaining a reputation for high standards of business conduct
- the need to act fairly as between members of the Company.

In compliance with section 172 of the Companies Act, the background to the above decisions taken by the Board are set out below.

WLI (UK) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Managing the impact of COVID-19

The Board made a number of key decisions during 2020 to:

- Support the cash flow of the Company through tight internal control over discretionary spend and control capital expenditure
- Protect employee jobs wherever possible, by accessing funds made available through various Government support schemes.
- Protect employees well-being through clear communication, the implementation of work from home policies, the introduction of a Company wide travel suspension and the purchasing of personal protection equipment for employees required to operate in public and office environments;
- Set out plans for remobilisation when lockdown restrictions are lifted and set out additional measures that would be required if the situation persists long into 2021; and
- Manage Company profitability through targeted redundancies, the use of various Government support schemes that were made available, hiring and pay freezes and effective cost control in areas such as marketing and travel.

IT initiatives

The progress and risk profile of the ERP project was reviewed by the Board during the regular Board Meetings in 2020, up to and following the go-live in Australia, in September 2020.

The Board continues to focus on realising the benefits of the ERP project as it is now live. These benefits include that the ERP automates, standardises and creates repeatable, joined up and 'right first-time' business processes. The go-live drives cost efficiencies, improve the interaction with suppliers and customers and benefit the employees that use it, so that Waterlogic can provide customers with a simple, reliable and cohesive, 'effortless', customer experience. Importantly, it will now significantly improve the consistency, quality, depth and breadth of data that will be accessible to business unit management teams, functional heads and, ultimately, the Board. Key to this will be immediate access to the 'cradle to the grave', accurate, operational and financial data, representing the life of every individual POU unit.

New product development

The Directors recognise that the Group's competitors could successfully develop new technologies that may challenge some of Waterlogic's existing technologies. These could impact on the Group's competitive advantage and, therefore, the Board remains highly committed to investing in Research and Development projects. The research and development initiatives put to the Board are driven by the commercial teams, who are reacting to and anticipating the needs of both the customers and the markets that the Group operates in or wants to access. These initiatives are then reviewed by the Product Development Committee and approved by the Board in the light of strategic priorities, resource availability and overall cost.

WLI (UK) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Waterlogic Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Waterlogic Group, which include those of the Company, are discussed in the Waterlogic Group Holdings Limited 2020 Annual Report, which does not form part of this report.

Financial risk management

The Company is a subsidiary undertaking within the Waterlogic Group. Cash funds of the Waterlogic Group are managed at group level. Interest is received and paid by the Company on a number of loans with other Waterlogic Group companies.

Liquidity risk

The Company's arrangements with the Waterlogic Group, as described above, ensure it can access the funds needed to meet its liquidity requirements as cash can be obtained through Waterlogic Group funding. The Waterlogic Group liquidity requirements and interest rate risks are managed at the group level.

Currency risk

The Company's functional currency is Sterling and its financial statements are also presented in Sterling. Some transactions undertaken by the Company are denominated in currencies other than Sterling. The Company does not purchase derivatives to manage its exposure to currency risk on such transaction. Instead the Waterlogic Group's currency risks are managed at the group level.

Going concern basis

This statement is made following the Waterlogic Group's intention to support the Company. The Company meets its day-to-day working capital requirements through cash in hand of £ 163,337 (2019: £450,189) and intercompany funding. As at 31 December 2020, £13,935,733 (2019: £19,086,683) was owed to the Company by Group undertakings and the Company owed £35,602,666 (2019: £29,568,111) to Group undertakings. The Company owed its immediate parent company £12,371,391 (2019: £12,371,391) in relation to the subsidised equity investment in Waterlogic Australia Holdings Pty Ltd.

The Directors consider it applicable to prepare the financial statements on a going concern basis. In reaching this conclusion that the going concern basis is applicable, the Directors have considered the financial projections of the Company and the Waterlogic Group for the foreseeable future, which covers a period of at least 12 months from the date of signing the financial statements.

As the world starts to recover from the COVID-19 crisis there is likely to be a continued but limited impact on the Waterlogic Group's finances. Throughout 2020 the Waterlogic Group has proved the robust nature of its business model with its ability to manage cash and flex the cost base as required while protecting the customer base.

The Directors of the Waterlogic Group have modelled the reasonably possible worst-case scenario which covers a period of at least 12 months from the date of signing these financial statements. This model includes an overall decrease in Waterlogic Group revenue compared to the 2021 budget with only a limited reduction in costs and capital expenditure. This model has not included the ability to draw down on the Waterlogic Group's Revolving Credit Facility and nevertheless continues to show the Waterlogic Group will have significant cash reserves.

Having reviewed the reasonably possible worst-case scenario forecasts for the coming year, the Directors of the Company have a reasonable expectation that the Company and the Waterlogic Group has adequate resources to continue in operational existence for the foreseeable future. Therefore, the Directors of the Company continue to adopt the going concern basis of accounting in preparing the financial statements.


Future prospects

The Company will manage the business conservatively through the COVID-19 pandemic, and subsequent periods, and will continue to bear the costs of being the strategic manager for the Group as well as taking over as the master distributor for the Waterlogic Group.

WLI (UK) LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

On behalf of the board


.....
Mr H W H Jenkins
Director

Date: 22/9/20
.....

WLI (UK) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their annual report and financial statements for the year ended 31 December 2020.

Principal activities

The principal activity of the Company continued to be that of the provision of technical, administration and accounting services for the Waterlogic Group, of which the Company is a member.

In addition, the Company operates as a holding company to its subsidiary undertakings.

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid (2019: £nil). The Directors do not recommend payment of a final dividend.

Directors

The Directors who held office throughout the year and up to the date of signature of the financial statements, except as noted, were as follows:

Mr H W H Jenkins

Mr M Taylor

Mr J Ben-David

Mr D R Shorrocks

(Appointed 30 November 2020)

(Appointed 30 November 2020)

Qualifying third party indemnity provisions

Waterlogic Group Holdings Limited (see note 24), has made qualifying third party indemnity provisions for the benefit of the Company's directors during the year. These provisions remain in force at the reporting date.

Research and development

During the year, the Company performed research and development activities related to improving the quality and efficiency of the products used in the Group. The total cost for the year was £1,097,614 (2019: £1,212,334).

Business relationships

The Company treated customers, suppliers and other interested parties as partners, keeping them informed of important decisions throughout the year. In particular, all parties were kept informed of decisions taken as the pandemic progressed.

Post reporting date events

From 1 May 2021, WLI (UK) Limited took over from WLI Trading Limited as the master distributor for the Waterlogic Group. This will result in the turnover in 2021 and subsequent years increasing as intercompany sales will be accounted for in WLI (UK) Limited.

Energy and carbon reporting

The Company has taken advantage of the exemption in Part 7A of schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 from the carbon reporting disclosure as it is a subsidiary undertaking and is included in the consolidated financial statements of Waterlogic Group Holdings Limited, a company incorporated in England & Wales. The consolidated financial statements of Waterlogic Group Holdings Limited are available from 1 Grenfell Road, Maidenhead, Berkshire, SL6 1HN.

Strategic report

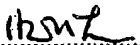
The Company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the Company's Strategic Report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the Directors' Report. It has done so in respect of discussions relating to financial and other risk management objectives and policies, and future developments.

WLI (UK) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

On behalf of the board


.....
Mr H W H Jenkins
Director

Date: 22/9/21

WLI (UK) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors are responsible for preparing the Strategic Report and the 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 of 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 judgements 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.

WLI (UK) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Turnover	3	13,321,703	16,535,000
Distribution costs		(1,308,625)	(1,395,024)
Administrative expenses		(15,416,665)	(14,720,468)
Other operating income		216,082	-
		<hr/>	<hr/>
Operating (loss)/profit	5	(3,187,505)	419,508
Interest receivable and similar income	6	-	111
Interest payable to group undertakings		(623,609)	(546,379)
		<hr/>	<hr/>
Loss before taxation		(3,811,114)	(126,760)
Tax on loss	7	(104,847)	276,975
		<hr/>	<hr/>
(Loss)/profit for the financial year		<u>(3,915,961)</u>	<u>150,215</u>

WLI (UK) LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2020**

	Notes	2020 £	£	2019 £	£
Fixed assets					
Intangible assets	8	21,861,424		14,058,296	
Tangible assets	9	311,755		329,437	
Investments	10	30,104,774		30,104,774	
		<u>52,277,953</u>		<u>44,492,507</u>	
Current assets					
Debtors falling due after more than one year	12	93,219		174,049	
Debtors falling due within one year	12	15,582,779		20,321,239	
Cash at bank and in hand		163,337		450,189	
		<u>15,839,335</u>		<u>20,945,477</u>	
Creditors: amounts falling due within one year	13	<u>(51,125,833)</u>		<u>(44,635,328)</u>	
Net current liabilities		<u>(35,286,498)</u>		<u>(23,689,851)</u>	
Total assets less current liabilities		<u>16,991,455</u>		<u>20,802,656</u>	
Provisions for liabilities	15	<u>(104,760)</u>		<u>-</u>	
Net assets		<u>16,886,695</u>		<u>20,802,656</u>	
Capital and reserves					
Called up share capital	18	20,947,125		20,947,125	
Profit and loss reserves	19	(4,060,430)		(144,469)	
Total equity		<u>16,886,695</u>		<u>20,802,656</u>	

For the financial year ended 31 December 2020 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

The member has not required the Company to obtain an audit of its financial statements for the year in question in accordance with section 476.

The Directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements were approved by the board of directors and authorised for issue on 22/9/21 and are signed on its behalf by:



Mr H W H Jenkins
Director

WLI (UK) LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital £	Profit and loss reserves £	Total £
Balance at 1 January 2019	20,947,125	(294,684)	20,652,441
Year ended 31 December 2019:			
Profit and total comprehensive income for the year	-	150,215	150,215
Balance at 31 December 2019	20,947,125	(144,469)	20,802,656
Year ended 31 December 2020:			
Loss and total comprehensive income for the year	-	(3,915,961)	(3,915,961)
Balance at 31 December 2020	20,947,125	(4,060,430)	16,886,695

WLI (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

WLI (UK) Limited is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is 1 Grenfell Road, Maidenhead, Berkshire, SL6 1HN.

The Company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in Sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £1.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The Company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The Company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income; and
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the Company as an individual entity and not about its group.

The Company is a wholly owned subsidiary within the group headed by Waterlogic Group Holdings Limited ("the Waterlogic Group") and the results of the Company are included in the consolidated financial statements of Waterlogic Group Holdings Limited, a company incorporated in England & Wales. The consolidated financial statements of the Waterlogic Group are available from 1 Grenfell Road, Maidenhead, Berkshire, SL6 1HN.

WLI (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Going concern

This statement is made following the Waterlogic Group's intention to support the Company. The Company meets its day-to-day working capital requirements through cash in hand of £163,337 (2019: £450,189) and intercompany funding. As at 31 December 2020, £13,935,733 (2019: £19,086,683) was owed to the Company by Group undertakings and the Company owed £35,602,666 (2019: £29,568,111) to Group undertakings. The Company owed its immediate parent company £12,371,391 (2019: £12,371,391) in relation to the subsidised equity investment in Waterlogic Australia Holdings Pty Ltd.

The Group's forecasts show that the Company will be able to operate within the level of its cash resources and facilities for at least the next twelve months from the date of these financial statements. In order to protect the business, due to the COVID-19 pandemic and its impact on the global economy, the Directors have taken a number of mitigating actions to ensure that the Company can continue in operation for the foreseeable future. These mitigating actions include the freezing of recruitment and temporary deferrals in staff pay, assisted where possible by government business support schemes. Further to this, there has been a reduction in other operating expenses and all capital expenditure. The Waterlogic Group has indicated that it will continue to provide ongoing financial support to the Company as well as provide the intercompany financing. Therefore, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue represents amounts receivable from members of the Waterlogic Group for the provision of administrative services. Revenue is recognised only to the extent of the expenses recognised that are recoverable.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from the Group's development of new and enhanced water dispenser, water purification devices or related consumable items is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as product designs and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the costs of developing this asset can be measured reliably.

Internally generated intangible assets are amortised on a straight line basis over their useful lives, with a presumption that this is no more than ten years. Where no internally generated intangible asset can be recognised, the expenditure is recognised as an expense in the period in which it is incurred.

Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

WLI (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Amortisation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Software	Straight line over 4 - 10 years
Patents/Intellectual property	Straight line over 5 years
Development costs	Straight line over 5 years
Assets under construction	Not amortised
Trade names	Straight line over 10 years

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Plant and equipment	Straight line over 4 years
Fixtures and fittings	Straight line over 4 years
Computers	Straight line over 5 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the Company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Impairment of fixed assets

At each reporting period end date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

WLI (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors, amounts owed by group undertakings and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

WLI (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Basic financial liabilities

Basic financial liabilities, including trade and other payables, and loans from fellow group companies are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the Company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the Company are recorded at the fair value of proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

WLI (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged as an expense on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

WLI (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2 Judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

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

Lease categorisation

When categorising leases as finance leases or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the Company as lessee, or the lessee, where the Company is a lessor.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Indicators of impairment

In accordance with FRS 102, the Directors assess the assets, including the carrying value of investments in subsidiary undertakings, for indicators of impairment at each reporting date. Their conclusion that no impairment exists, which is based on the information available at the date of signing these financial statements, is a source of estimation uncertainty.

3 Turnover and other revenue

An analysis of the Company's turnover is as follows:

	2020 £	2019 £
Turnover analysed by class of business		
Provision of services	13,321,703	16,535,000
	<hr/>	<hr/>
	2020 £	2019 £
Other revenue		
Interest income	-	111
Grants received	216,082	-
Sale of tangible fixed assets	-	1,043
	<hr/>	<hr/>

WLI (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

3 Turnover and other revenue (Continued)

	2020 £	2019 £
Turnover analysed by geographical market		
European Union	12,558,703	16,535,000
Rest of the world	763,000	-
	<u>13,321,703</u>	<u>16,535,000</u>

WLI (UK) Limited received a discretionary cash grant of £216,082 (2019: £nil) from the government as part of the Coronavirus Job Retention Scheme (CJRS), which has been included in grants received. The CJRS compensates employers for 80% of employees wages up to the value of £2,500 per month, as well as the associated national insurance contributions (NICs) and employer pension contributions of employees placed on furlough. Furlough is the temporary leave of absence of an employee from working for their employer. The grant is conditional upon the employees remaining employed and on the company PAYE payroll, and the employee not completing any work for their employer which makes money or the provision services for their employer or any company associated with their employer. There are no unfulfilled conditions or contingencies attached to the grant, and the company did not receive any other forms of government assistance.

4 Employees

The average monthly number of persons (including directors) employed by the Company during the year was:

	2020 Number	2019 Number
Administrative staff	<u>76</u>	<u>81</u>

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	5,424,759	6,549,008
Social security costs	653,406	759,901
Pension costs	197,738	175,595
	<u>6,275,903</u>	<u>7,484,504</u>
Redundancy payments made or committed	<u>62,003</u>	<u>-</u>

The Directors of the Company were remunerated by another Waterlogic Group company during the current and prior year. The amount of consideration received for services to the Company are indistinguishable.

WLI (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

5 Operating (loss)/profit

	2020	2019
	£	£
Operating (loss)/profit for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	(18,508)	6,527
Research and development costs	1,097,614	1,212,334
Government grants	(216,082)	-
Depreciation of owned tangible fixed assets	162,361	177,294
Profit on disposal of tangible fixed assets	-	(17)
Amortisation of intangible assets	831,456	194,687
Operating lease charges	184,846	216,496

Depreciation and amortisation charges are included within administrative expenses on the Statement of Comprehensive Income.

6 Interest receivable and similar income

	2020	2019
	£	£
Interest income		
Other interest income	-	111

7 Taxation

	2020	2019
	£	£
Deferred tax		
Origination and reversal of timing differences	144,812	14,708
Changes in tax rates	(8,834)	-
Adjustment in respect of prior periods	(31,131)	(291,683)
Total deferred tax	104,847	(276,975)

WLI (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

7 Taxation (Continued)

The total tax charge/(credit) for the year included in the income statement can be reconciled to the loss before tax multiplied by the standard rate of tax as follows:

	2020 £	2019 £
Loss before taxation	(3,811,114)	(126,760)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(724,112)	(24,084)
Tax effect of expenses that are not deductible in determining taxable profit	4,023	10,968
Effect of change in corporation tax rate	(8,834)	(1,730)
Group relief	864,315	29,554
Under/(over) provided in prior years	(31,131)	(291,683)
Other differences	586	-
Taxation charge/(credit) for the year	104,847	(276,975)

The Finance Act 2016 was enacted so as to reduce the corporation tax rate from 19% to 17% with effect from 1 April 2020. In March 2020 the Chancellor announced that the tax rate would remain at 19%, and this rate has been used to measure deferred tax assets and liabilities where applicable. Subsequent to the year end, in March 2021, the Chancellor announced that the corporation tax rate would increase to 25% in the year 2023, however, this rate had not been substantively enacted at the reporting date and has not been used in the measurement of deferred tax.

WLI (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

8 Intangible fixed assets

	Software	Patents/ Intellectual property	Development costs	Assets under construction	Trade names	Total
	£	£	£	£	£	£
Cost						
At 1 January 2020	1,211,587	112,250	516,829	13,057,884	-	14,898,550
Additions - internally developed	-	-	-	2,152,249	-	2,152,249
Additions - separately acquired	482,283	22,211	620,095	-	5,357,746	6,482,335
Transfers	15,210,133	-	-	(15,210,133)	-	-
At 31 December 2020	16,904,003	134,461	1,136,924	-	5,357,746	23,533,134
Amortisation and impairment						
At 1 January 2020	778,218	9,990	52,046	-	-	840,254
Amortisation charged for the year	645,496	24,715	161,245	-	-	831,456
At 31 December 2020	1,423,714	34,705	213,291	-	-	1,671,710
Carrying amount						
At 31 December 2020	15,480,289	99,756	923,633	-	5,357,746	21,861,424
At 31 December 2019	433,369	102,260	464,783	13,057,884	-	14,058,296

Assets in the course of construction comprise the development of a Global ERP solution, which was completed in FY20.

Amortisation charges are included in administrative expenses on the Statement of Comprehensive Income.

Included within 'additions - separately acquired' are £5,359,900 of additions purchased from fellow Group Companies.

WLI (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

9 Tangible fixed assets

	Plant and equipment £	Fixtures and fittings £	Computers £	Total £
Cost				
At 1 January 2020	31,883	315,462	454,309	801,654
Additions	75,359	19,280	50,040	144,679
At 31 December 2020	107,242	334,742	504,349	946,333
Depreciation and impairment				
At 1 January 2020	6,827	236,885	228,505	472,217
Depreciation charged in the year	13,651	53,824	94,886	162,361
At 31 December 2020	20,478	290,709	323,391	634,578
Carrying amount				
At 31 December 2020	86,764	44,033	180,958	311,755
At 31 December 2019	25,056	78,577	225,804	329,437

10 Fixed asset investments

	Notes	2020 £	2019 £
Investments in subsidiaries	11	30,104,774	30,104,774

Movements in fixed asset investments

	Shares in group undertakings £
Cost or valuation	
At 1 January 2020 & 31 December 2020	30,104,774
Carrying amount	
At 31 December 2020	30,104,774
At 31 December 2019	30,104,774

11 Subsidiaries

Details of the Company's subsidiaries at 31 December 2020 are as follows:

WLI (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

11 Subsidiaries (Continued)

Name of undertaking	Address	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Waterfirst Queensland Pty Limited	a)	Dormant	Ordinary	-	100.00
Waterlogic Australia Holdings Pty Ltd	a)	Holding company	Ordinary	100.00	-
Waterlogic Australia Pty Limited	a)	Distribution and service	Ordinary	-	100.00
Billi Australia Pty Ltd	b)	Distribution and service	Ordinary	-	100.00
Billi R&D Pty Ltd	b)	Product development	Ordinary	-	100.00
Billi Financial Services Pty Ltd	b)	Finance	Ordinary	-	100.00

Registered Office addresses:

- a) 37 Sundercombe Street, Osborne Park, WA 6017, Australia
- b) 42-50 Lucknow Crescent, Thomastown, VIC 3074, Australia

12 Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Amounts owed by group undertakings	13,935,733	19,086,683
Other debtors	609,886	473,183
Prepayments and accrued income	1,037,160	761,373
	<u>15,582,779</u>	<u>20,321,239</u>
Amounts falling due after more than one year:		
Other debtors	93,219	98,962
Deferred tax asset (note 16)	-	75,087
	<u>93,219</u>	<u>174,049</u>
Total debtors	<u>15,675,998</u>	<u>20,495,288</u>

Amounts owed by Group undertakings are non-interest bearing, unsecured, and there are no fixed terms for repayment.

Other debtors due in more than one year are made up of deposits paid in respect of the properties that the Company rents under operating lease agreements disclosed in note 21.

WLI (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

13 Creditors: amounts falling due within one year

	Notes	2020 £	2019 £
Other borrowings	14	39,683,649	37,258,773
Trade creditors		544,412	978,039
Amounts owed to group undertakings		8,290,408	4,680,729
Taxation and social security		679,828	275,062
Other creditors		251,500	-
Accruals and deferred income		1,676,036	1,442,725
		<u>51,125,833</u>	<u>44,635,328</u>

Other borrowings are amounts due to Group undertakings.

Amounts owed to Group undertakings are non-interest bearing, unsecured, and there are no fixed terms for repayment.

14 Borrowings

	2020 £	2019 £
Loans from group undertakings	<u>39,683,649</u>	<u>37,258,773</u>
Payable within one year	<u>39,683,649</u>	<u>37,258,773</u>

The Company has entered into an unsecured loan agreement with a fellow group undertaking. Interest on borrowings is charged at LIBOR plus 2.8% and interest on amounts loaned is charged at LIBOR plus 1.5%. At 31 December 2020, the Company owed £27,312,258 (2019: £24,887,382). All balances are repayable on demand.

The loans from the immediate parent undertaking of £12,371,391 (2019: £12,371,391) are interest free and repayable on demand. All balances with Waterlogic Group companies are unsecured.

15 Provisions for liabilities

	Notes	2020 £	2019 £
Dilapidation provision		75,000	-
Deferred tax liabilities	16	29,760	-
		<u>104,760</u>	<u>-</u>

WLI (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

15 Provisions for liabilities (Continued)

Movements on provisions apart from deferred tax liabilities:

	Dilapidation provision £
Other movements	75,000

A provision of £75,000 (2019: £nil) has been recognised in the year for dilapidation of the Maidenhead office per the operating lease agreement in place. This provision was previously included in accruals and has been transferred to provisions to reflect the relevant accounting treatment. The amount and timing of resulting payments is uncertain but the provision is expected to be utilised for between two and five years. No reimbursement is expected.

16 Deferred taxation

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2020 £	Liabilities 2019 £	Assets 2020 £	Assets 2019 £
Balances:				
Accelerated capital allowances	57,269	-	-	(40,849)
Tax losses	(8,643)	-	-	103,408
Other timing differences	(18,866)	-	-	12,528
	<u>29,760</u>	<u>-</u>	<u>-</u>	<u>75,087</u>
Movements in the year:				2020 £
Asset at 1 January 2020				(75,087)
Charge to profit or loss				113,681
Effect of change in tax rate - profit or loss				(8,834)
Liability at 31 December 2020				<u>29,760</u>

The deferred tax liability set out above relates to accelerated capital allowances and other timing differences that are expected to mature in the future.

WLI (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

17 Retirement benefit schemes

	2020 £	2019 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	197,738	175,595

The Company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in an independently administered fund.

At the reporting date, an amount of £24,296 (2019: £15,354) remained outstanding.

18 Share capital

	2020 Number	2019 Number	2020 £	2019 £
Ordinary share capital				
Issued and fully paid				
Ordinary shares of £1 each	20,947,125	20,947,125	20,947,125	20,947,125

The Company's ordinary share capital, which carries no right to fixed income, carries the right to one vote per share at general meetings of the Company.

19 Reserves

Profit and loss reserves

Profit and loss reserves represent the cumulative profit and loss net of distributions to owners.

20 Financial commitments, guarantees and contingent liabilities

HSBC holds a charge over the trade and assets of the Company as security over the Facilities Agreement entered into by Waterlogic Group Holdings Limited. The Directors have not recognised any amount in respect of this security in these financial statements as there are no indications that the Waterlogic Group will fail to meet its obligations under the Facilities Agreement. The Directors believe that the Waterlogic Group will continue to meet its liabilities as they fall due and that no actual liability will become payable by the Company as a result of having provided this guarantee. On that basis, no liabilities have been recognised in respect of this guarantee.

21 Operating lease commitments

Lessee

At the reporting end date the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2020 £	2019 £
Within one year	168,346	184,846
Between one and five years	126,260	294,606
	<u>294,606</u>	<u>479,452</u>

WLI (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

22 Events after the reporting date

From 1 May 2021, WLI (UK) Limited took over from WLI Trading Limited as the master distributor for the Waterlogic Group. This will result in the turnover in 2021 and subsequent years increasing as intercompany sales will be accounted for in WLI (UK) Limited.

23 Related party transactions

Details relating to guarantees provided by the Company involving other group undertakings may be found in note 20 to these financial statements.

The Company has taken advantage of the exemptions provided by Section 33 of FRS 102 'Related Party Disclosures' and has not disclosed transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is party to the transactions is wholly-owned by a member of that group.

24 Ultimate controlling party

The immediate parent company is Waterlogic Limited, a company incorporated in Jersey. Waterlogic Limited has its registered office at: 22 Grenville Street, St. Helier, Jersey, JE4 8PX.

The ultimate controlling party is EPIC 1-b Fund, managed by Castik Capital S.à r.l., a company incorporated in Luxembourg. Castik Capital S.à r.l. has its registered office at: 1 Route d'Esch, L-1470, Luxembourg.

The parent of the smallest and largest group preparing consolidated financial statements including the results of the Company is Waterlogic Group Holdings Limited, a company incorporated in England & Wales. Group financial statements can be obtained from 1 Grenfell Road, Maidenhead, Berkshire, SL6 1HN.