WATERLOGIC GROUP HOLDINGS LIMITED
COMPANY NUMBER 09297208

Annual Report

Year ended 31 December 2018

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Waterlogic Group Holdings Limited

Annual report and accounts 2018

Strategic Report

Business model and strategy

Waterlogic Group ("Waterlogic" or the "Group") operates as a vertically integrated business engaged in the design, manufacture, distribution, rental, servicing and sale of Point of Use ("POU") water coolers, Under-The-Sink ('UTS') and water cooling and filtration equipment (including bottled water) in worldwide markets. The Group also engages in the distribution, rental, servicing and sale of coffee equipment in certain markets.

Business activity

The Group made the following principal acquisitions during the year.

Date	Entities acquired	Total consideration	Description of business and territory
27 April 2018	Billi Australia Pty Ltd and Billi UK LLP	$56.4 million	Designer, manufacturer and distributor of boiling, chilled and sparkling filtered drinking water UTS units in Australia, the UK and internationally through distributors.
31 July 2018	Streamline Water Inc	$3.8 million	Provider of POU water coolers, coffee equipment and consumables, based in Phoenix, Arizona and El Paso, Texas USA.
28 September 2018	Minnesota Water Inc	$6.0 million	Provider of POU water coolers in the Minneapolis-St Paul area.
28 September 2018	Water Engineering Technologies Inc	$5.1 million	Provider of POU and bottled water coolers in Pacific Northwest USA.
31 October 2018 and 18 December 2018	Water Coolers Limited and Cariad Cool Water Limited	$7.8 million	Provider of POU and bottled water coolers in the UK.

In addition to the above, the Group made acquisitions in Germany, the Czech Republic, Hungary, Sweden and Canada, as set out in note 32 to the financial statements.

Review of business

The Group considers the KPIs and financial measures of revenue, operating profit, adjusted operating profit, adjusted EBITDA and Machines In Field to be key for the business.

	Note	2018	2017 (as restated)
Revenue	5	**$317.0 million**	$252.4 million
Operating profit	7	**$0.3 million**	$1.2 million
Adjusted operating profit	7	**$44.4 million**	$35.3 million
Adjusted EBITDA	7	**$77.9 million**	$58.8 million
Machines In Field		**459,008**	396,294

The reduction in the operating profit in 2018 was driven by the Gross Profit increase of $33.8 million offset by a $34.6 million increase in operating expenses. The operating expenses increased in part due to the impact of the operating expenses of acquisitions in the year, the impact of a foreign exchange loss of $3.8 million in 2018, a year on year increase in acquisition and integration related costs of $2.7 million, ERP implementation costs increasing by $5.1 million, the amortisation of acquired intangibles of $31.0 million increasing by $1.4 million and corporate reorganisation costs increasing by $1.4 million.

Strategic Report (continued)

Enterprise Resource Planning ('ERP')

During 2018 the Group continued to develop the Global ERP solution that was embarked upon in 2017. This will transform the Group's operational efficiency and the accuracy, breadth, depth and strategic relevance of business information within the Group.

Refinancing

On 14 March 2018, the Group refinanced its existing Senior Facilities Agreement ("SFA") to reduce the effective interest rates paid by the Group and to give additional capacity for accretive acquisition activity. A new Term Loan B ("TLB") was made available and drawn immediately, with the funds used to settle all existing facilities, with the balance being available to fund the acquisition of Billi Australia Pty Limited and GLGB Limited (the owner of Billi UK), and leave cash on the balance sheet.

The consolidated income statement is set out on page 16 and the consolidated balance sheet on pages 18 and 19.

Principal risks and uncertainties

The Group is exposed to a number of risks and uncertainties whose outcome could impact on its financial performance, operations, regulatory compliance or corporate reputation. Some of these are generic to any multinational commercial enterprise and others are more specific to the Group. The key risk factors that the Directors consider potentially material in nature are set out below, together with information about the mitigating actions in place.

The Directors are aware that Britain's exit from the European Union ('Brexit') may also pose a potential risk to the Group, but in view of the uncertainty surrounding its nature and timing, this has not been included in the table below.

Risk management process

Management of risk is an integral part of the day-to-day activities of the Group and, where reasonably possible, steps are taken to mitigate known material risks. However, these steps can only reduce the likelihood of risk events occurring or the impact on the Group should they occur. They do not provide absolute certainty over the mitigation or elimination of the risks as many risk factors are wholly or partially outside the control of the Group.

Description	Mitigation	Risk monitoring
Acquisitions and integration The Board intends to continue acquiring businesses. Any acquisition that cannot be successfully integrated, or does not provide the incremental economic value expected at the time of acquisition, could have a negative effect on the Group's performance. As the Group expands there is a risk that its infrastructure may not be sufficiently robust to ensure that operational efficiency is maximised and economies of scale are realised.	Board approval is required prior to any significant transaction and appropriate financial, legal, technical and other due diligence reviews are carried out. The Group has taken steps to strengthen its post-acquisition integration planning. Budgets are set for all newly acquired businesses and potential synergies are identified and tracked.	The performance of acquired businesses against defined budgets is closely monitored. Post-acquisition reviews are carried out to assess the extent to which expectations set out in the original Board proposals have been realised.

Strategic Report (continued)

Principal risks and uncertainties (continued)

Description	Mitigation	Risk monitoring
Technology, innovation and intellectual property		
Researching and developing new products is complex, costly and time-consuming. There is a risk that competitors may develop new technologies, like Firewall, or innovative applications of existing technologies, that undermine the Group's competitive advantage. The Group could fail to recognise intellectual property, fail to seek appropriate security over rights to intellectual property, or fail to obtain security for reasons outside the Group's control. The Group could breach other parties' intellectual property rights.	The Group continues to invest in research and development of new technologies. The Group relies on a combination of patents, copyright, trademarks, design registrations, trade secrecy laws, confidentiality procedures and contractual provisions to protect its intellectual property rights. Comprehensive searches are carried out before any application to register a patent or trademark is lodged and competitors' new product launches, trademarks and domain names are monitored to identify potential conflicts between the Group's and other parties' rights.	The development of new products and technologies is closely monitored. Development initiatives are driven from commercial business teams, are reviewed by the Product Development committee and committed in the light of Group strategic priorities.
Manufacturing		
The Group's strategy is to manufacture to order so as to minimise finished goods inventory held at the factories and within the supply chain. Any disruption to manufacturing operations and/or inbound or outbound supply chains could extend delivery lead times. Disruption can also be caused by political change or uncertainty, which extends to the imposition of tariff changes on cross border supplies of goods. Labour costs in the PRC continue to rise and price and availability of raw materials and components are subject to inherent uncertainty. An appreciation of the Chinese Renminbi against the US Dollar could represent a factor in the competitiveness of the Group's manufacturing costs.	The Group employs a number of measures including identifying multiple suppliers, auditing suppliers to ensure quality, safeguarding its manufacturing and logistics infrastructure against disruption, maintaining business interruption insurance and holding inventory at subsidiaries.	Materials costs and labour productivity are closely monitored.

Strategic Report (continued)

Principal risks and uncertainties (continued)

Description	Mitigation	Risk monitoring
Product reputation and product liability Any factor or event that adversely affects customers' perception of the quality and reliability of the Group's products could affect its ability to maintain or increase revenue.	The Group's products incorporate a range of design and technical features that reduce the risk of contamination in the course of normal use. The Group operates rigorous quality assurance and control procedures both during manufacturing and prior to delivery/installation of its products. Recommended maintenance procedures ensure cleanliness and hygiene. The Group also maintains public and product liability insurance against liabilities to third parties.	Product quality is constantly monitored through the Group's review of supply chain partners, production Quality Assurance and Pre-delivery processes.
Continuity of supply and quality The provision and quality of natural mineral water is essential for the bottled water business, predominantly in the UK. There is a risk that the Group could fail to meet demand during peak summer periods. The Group is also exposed to quality of supply risk. Barriers to entry are low in the bottled water market in the UK and localised suppliers have the potential to gain business if the Group is unable to meet the customers' demands for quality product.	The provision and quality of natural mineral water is constantly reviewed and maintained to ensure that the Group can cope with demand peaks over the summer period. Relationships with second-string suppliers are maintained to further strengthen the Group's ability to ensure continuity of supply during peak periods of demand. The Group's policy is to purchase from British Water Cooler Association ("BWCA") accredited suppliers wherever possible.	The provision and quality of natural mineral water is constantly reviewed and maintained to ensure that the Group can cope with demand peaks over the summer period.

Strategic Report (continued)

Principal risks and uncertainties (continued)

Description	Mitigation	Risk monitoring
Funding and liquidity At 31 December 2018 the Group had a $532.3 million facility (2017: $375.1 million) of which $490.3 million had been drawn down (2017: $354.1 million). There is a risk that the Group could fail to fulfil its obligations as they fall due. The Group is also exposed to interest rate risk.	Robust cash forecasting procedures are in place. Fixed rate swaps and a cap have been contracted to hedge the interest rates on the term loans. At the beginning of March 2018, the Group refinanced its existing Senior Facilities Agreement ("SFA") to reduce the effective interest rates paid by the Group and to give additional capacity for accretive acquisition activity. A new Term Loan B ("TLB") amounting to $442.6 million was made available and drawn immediately, with the funds used to settle all existing facilities in an amount of $367.8 million and to settle facility and transaction fees, with the balance being available to: (i) Fund the acquisition of Billi Australia Pty Limited and GLGB Limited; and (ii) leave cash on the balance sheet. Additionally, a multi-purpose Revolving Credit Facility ("RCF") was made available for an amount of $45.0 million, the RCF remains undrawn as at the date of the signing of the accounts.	Cash flow forecasts are monitored weekly.
ERP Solution Roll out During 2017 the Group embarked on the development of a Global ERP solution which continued in 2018. This solution will transform the Group's operational efficiency and the accuracy, breadth, depth and strategic relevance of business information within the Group. The primary risk is that the ERP solution does not meet these objectives following implementation in 2019. There is also a risk that the ERP project could overrun on implementation deadlines or on cost and a risk that the implementation could cause undue business disruption during or immediately after the implementation date. The ERP project is expected to generate a positive impact on the Group's Gross Margin and therefore there is a risk that the anticipated benefits do not achieve the expected levels.	The Directors engaged a Global ERP Delivery Director in 2018 to manage the ERP development project and the associated costs. The project is also overseen by a Steering Committee, which includes independent ERP implementation advisers and meets regularly to provide input to the work stream team leaders. The project has a detailed annual cost budget which the Global ERP Delivery Director controls spend against	The progress and risk profile of the ERP project is reviewed by the Directors during the regular Board Meetings.

Strategic Report (continued)

Principal risks and uncertainties (continued)

Description	Mitigation	Risk monitoring
Exchange rates The Group buys and sells materials and components, products, goods and services internationally and is exposed to exchange rate risk on transactions denominated in currencies other than the US Dollar, predominantly Euro, Norwegian Kroner, Australian Dollar and Pound Sterling. The way in which the Group's credit facility has been drawn down also presents an Income Statement and Balance Sheet exposure to fluctuations in the Euro and the Australian Dollar exchange rate. The financing loans advanced from Castik Capital for the various acquisitions in the period are denominated in a non-functional currency for the Group and therefore present an Income Statement and Balance Sheet exposure to movement in the Euro.	The Group seeks, wherever possible, to ensure similar inflows and outflows of cash in each of these currencies through its normal operations, thereby creating a natural hedge. Foreign exchange exposures on trading transactions are monitored and forward contracts are used when appropriate. In August 2018, the Group entered into foreign currency forward contracts ('forwards') to sell USD and buy RMB. The purpose of the forwards was to hedge a portion of the Group's exposure to RMB inventory purchases. Loans relating to subsidiaries trading predominantly in currencies other than US Dollars have been taken out in the appropriate foreign currency to create a natural hedge.	The Income Statement impact of foreign exchange gains and losses is monitored and reported on a monthly basis.

Strategic Report (continued)

Going concern basis

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

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in this Strategic Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also described within the financial statements. In addition, note 36 of the financial statements includes the Group's financial capital management objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

As outlined above, on 14 March 2018, the Group refinanced its existing SFA to reduce the effective interest rates paid by the group and to give additional capacity for acquisition activity. A new Term Loan B ("TLB") amounting to $442.6 million was made available and drawn immediately, with the funds used to settle all existing facilities for an amount of $367.8 million, with the balance being available to fund the acquisition of Billi Australia Pty Limited and GLGB Limited and to increase the cash on the balance sheet. Additionally, a multi-purpose Revolving Credit Facility ("RCF") was also made available, and this was undrawn at closing. There is an appropriate level of headroom on the new loan covenants for a period of at least twelve months.

At the year-end the Group had net debt of $717.7 million (2017: $590.6 million), of which $279.7 million was due to the parent undertaking (2017: $271.4 million), with a committed but unutilised revolving credit facility of $42.0 million (2017: $4.3 million). Net liabilities were $98.0 million (2017 (as restated): $55.7 million). The Group had net current assets of $67.3 million at 31 December 2018 (31 December 2017 (as restated): $33.2 million) including cash and cash equivalents of $46.6 million (31 December 2017: $21.9 million). The various bank loans held were subject to covenants relating to Group performance measures, namely cash flow cover, interest cover and leveraging. The only covenant in place was leveraging and this was met during the period.

In addition to the above, the Group continues to grow its recurring revenue streams and a broad spread of customers. As a consequence of these factors and having reviewed the forecasts for the coming year, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis of accounting in preparing the Financial Statements.

Future prospects

The Group will continue to pursue the strategies of growing the recurring rental base and achieving growth both organically and through strategic acquisitions.

Brexit

At the date of approval of the annual report and financial statements there remains considerable uncertainty in relation to the nature and timing of Brexit. It is management's view that, before any planning in detail can usefully begin, there needs to be much more clarity in this regard and fewer potential scenarios to consider. Management will continue to monitor progress of the Brexit negotiations and prepare the Group's plans once greater clarity becomes apparent.

Approval

This report was approved by the Board of Directors on 26 April 2019 and signed on its behalf by:

Huw Jenkins
Group Chief Financial Officer

Directors' report

The Directors present their annual report on the affairs of the Group, together with the Financial Statements and auditor's report, for the year ended 31 December 2018.

An indication of likely future developments in the business of the Group and an explanation of the going concern assertion are included in the Strategic Report.

Information about the use of financial instruments by Waterlogic Group Holdings Limited (the "Company") and its subsidiaries is given in notes 23 and 36 to the Financial Statements.

Dividends

The Board does not propose a dividend for the year (2017: $nil). The dividend policy continues to be reviewed periodically by the Board.

Capital structure

Details of the issued share capital of the Company are shown in note 28. The Company has one class of Ordinary Shares which carry no right to fixed income. There is no limit on the number of shares that the Company can issue.

No person has any special rights of control over the Company's share capital and all issued shares have been fully paid.

Research and development

The Group undertakes research and development as part of its strategy to strengthen its presence in the global market as a leader in the water dispenser industry. The Group's POU development activities are predominantly undertaken by a dedicated product development team based in China and its UTS development activities are undertaken by a dedicated product development team based in Australia.

Directors

The Directors, who served throughout the year and to the date of signing, were as follows:

Jeremy Ben-David – Group CEO

Huw Jenkins – Group CFO

Mark Taylor – Group Chief Commercial Officer

John Dundon – Non-Executive

Simon Bolton resigned as director on 7 February 2019.

Directors' indemnities

The Group has in place third party indemnity insurance for the benefit of the officers and directors of the Company and its subsidiaries. This insurance policy remains in force at the date of this report.

Acquisition of the Company's own shares

The Company did not purchase any of its own shares during the year and nor has it done so up to the date of this report.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings, periodic e-mails and quarterly employee newsletters. During 2018 international conferences were held for Managing Directors and Finance Directors in order to improve communication and working practices across the Group.

Directors' report (continued)

Diversity

The Board recognises the value of diversity both in its own membership and within the Group's wider employee base. Whilst the Board believes that the market sectors in which the Group operates are such that gender diversity in Board membership would not, of itself, bring specific benefits or insights, as a matter of policy the Board believes that the search for new Board candidates should be conducted, and, when required, appointments made, on merit, against objective criteria and with due regard for the benefits that diversity, including gender diversity, could provide. Business units have in place appropriate policies in relation to equal opportunities in the workplace. Appointments, rewards and advancement in the Group's wider employee base are also based on merit. As a matter of principle, the Board does not accept discrimination against, or in favour of, any individual or group of individuals. Diversity, as with other management policies, is under regular review.

Political contributions

The Group did not make any contributions to political organisations in the year (2017: $nil).

Post balance sheet events

Details of significant events since the balance sheet date are contained in note 37 to the Financial Statements.

Auditor

Each of the persons who is a Director at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Deloitte LLP was appointed as the Company's auditor during the year and has expressed its willingness to continue in office. Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and Deloitte LLP will therefore continue in office.

Authorised for issue by the Board

Huw Jenkins
Group Chief Financial Officer
26 April 2019

1 Grenfell Road
Maidenhead
Berkshire
SL6 1HN

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, 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 Consolidated Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and the Company Financial Statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102"). The Financial Statements are required by law to be properly prepared in accordance with the Companies Act 2006.

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 the parent company 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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

Modern Slavery and Human Trafficking Statement

Waterlogic is committed to ensure that no slavery or human trafficking occurs within the Group or our supply chain. This statement is published in accordance with the Modern Slavery Act 2015 and it sets out the actions we have taken to consider all potential modern slavery and human trafficking risks related to our business.

Organisation's structure and supply chain

We are a global designer, manufacturer and distributor of mains attached POU drinking water purification and dispensing systems. We are the UK registered parent company of the Waterlogic Group of companies, with our global HQ based in Maidenhead UK, our manufacturing facility in Qingdao, China and Melbourne, Australia and with operations, offices and distributors worldwide.

Our supply chains are predominantly focused on the supply of moulds, parts and components for the assembly of our POU systems, and mostly based on the Waterlogic owned IP and designs.

APPLICABLE POLICIES AND PROCEDURES

The following policies indicate how we identify any modern slavery and human trafficking risks and describe our goals to ensure that these are prevented in our operations and supply chains

Anti-slavery policy: Our Anti-slavery policy reflects our commitment to act ethically and with integrity in all our business relationships and to implement and enforce effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in our supply chains.

Whistleblowing policy: We encourage all our staff to report any wrongdoing which extends to human rights violations like modern slavery and human trafficking. All reports are fully investigated and appropriate remedial action taken and our whistleblowing procedure is carefully designed to permit employees to make disclosures without fear of any retaliation.

Code of Conduct: *Our Code of Conduct reflects our core beliefs and values in observing and demonstrating the highest* standards of ethics and integrity and clearly sets out how Waterlogic does business and what is expected of our employees, business partners and suppliers.

Anti-bribery and corruption policy: Our anti-bribery policy makes it clear that we operate a "zero tolerance" policy towards fraudulent, dishonest or deceptive behaviour and condemns corruption in all its forms. We advise our employees to be aware of and report any concerns that they may have in this regard so that appropriate action can be taken As part of supplying Waterlogic with any services/components, the owners and CEO's of the entire supply chain in China, and internationally, must sign the Waterlogic Anti-Bribery and Corruption contract. This contract remains in force for the entire supply contract period, and is controlled and monitored by our legal counsel in China, together with the Supply Chain Director. Any suspected cases of infringement are reported directly to our legal representation in China.

Recruitment and employment: We aim to ensure that we work only with reputable employment agencies and that all employees are paid via payroll systems duly regulated in the relevant territories.

Due diligence processes for slavery and human trafficking

As part of our initiative to identify and mitigate risk we conducted during 2017 detailed audits of and within our key suppliers in all our major countries of operation, including in China. Our audit questionnaires covered key issues on applicable codes, practices and policies in place within our suppliers to identify and combat any risks of modern slavery and human trafficking. We plan to repeat this process at regular intervals to maintain and improve open communications with our suppliers on this area of risk. We regularly undertake thorough due diligence when engaging new suppliers. Our critical and high value suppliers have been working with Waterlogic for over 15 years, in most cases, and new potential suppliers are vetted and audited by the Supply Team and Quality Teams. Audit reports of potential suppliers and existing suppliers include not only technical and engineering observations, but also Corporate Responsibility of the supplier.

Supplier adherence to our values and ethics

We have a strong commitment to ensuring that our suppliers are aware of our high ethical standards and we update them on our applicable Code of Conduct and core requirements to be observed, including healthy, safe and compliant working conditions for their employees. As part of the vetting and auditing process, potential and existing suppliers are made aware of our values and our requirement that they abide by these principles and values.

Training

To ensure a high level of understanding of the risks of modern slavery and human trafficking in our supply chains and our business, we provide appropriate training to our staff.

Modern Slavery and Human Trafficking Statement (continued)

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes the Waterlogic Group's slavery and human trafficking statement for the financial year ended 31 December 2018.

SIGNATURE OF DIRECTOR:

Jeremy Ben - David

WATERLOGIC GROUP HOLDINGS LIMITED

26 April 2019

Independent auditor's report

to the members of Waterlogic Group Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Waterlogic Group Holdings Limited (the 'parent company') and its subsidiaries (the 'group') *give a true and fair view of the state of the group's and of the parent company's affairs as at 31December 2018 and of* the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting *Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards* Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income,
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 39 and C1 to C11.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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 group's or the parent 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.

We have nothing to report in respect of these matters.

Independent auditor's report

to the members of Waterlogic Group Holdings Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

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 the directors' report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

We have nothing to report in respect of these matters.

Independent auditor's report

to the members of Waterlogic Group Holdings Limited (continued)

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.

Tobias Wright

Tobias Wright FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
26 April 2019

Consolidated income statement

for the year ended 31 December 2018

	Note	Year ended 31 December 2018 $'000	2017 Restated* $'000
Continuing operations			
Revenue	5	**317,033**	252,380
Cost of sales		**(136,407)**	(105,519)
Gross profit		**180,626**	146,861
Administrative expenses		**(171,011)**	(135,617)
Distribution expenses		**(455)**	(501)
Marketing expenses		**(6,078)**	(4,366)
Other gains and losses	8	**(2,733)**	(5,220)
Operating profit	7	**349**	1,157
Adjustment for the effect of:			
Corporate reorganisation costs	7	**2,234**	855
Acquisition and integration related costs	7	**6,353**	3,635
Gain recorded on bargain purchase	7	**(692)**	-
Amortisation of acquired intangibles	7	**30,981**	29,572
Group ERP implementation costs	7	**5,165**	56
Adjusted operating profit		**44,390**	35,275
Finance income	9	**165**	86
Finance costs	10	**(58,334)**	(43,380)
Loss before tax		**(57,820)**	(42,137)
Income tax credit	13	**1,867**	4,224
Loss for the year	7	**(55,953)**	(37,913)
Loss attributable to:			
Owners of the Company		**(55,953)**	(37,913)
		(55,953)	(37,913)

* Comparative figures for the year ended 31 December 2017 have been restated due to the adoption of IFRS 15 using the fully retrospective method, together with adjustments made in accordance with IAS 17, as set out in note 31.

Consolidated statement of comprehensive income

for the year ended 31 December 2018

	Note	2018 $'000	2017 Restated* $'000
		Year ended 31 December	
Loss for the year	7	**(55,953)**	(37,913)
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges: gains arising during the period	36	**168**	672
Exchange differences on translation of foreign operations		**12,826**	(16,725)
Income tax relating to items that may be reclassified		**16**	(142)
Other comprehensive income for the year		**13,010**	(16,195)
Total comprehensive loss for the year		**(42,943)**	(54,108)
Total comprehensive loss attributable to:			
Owners of the Company		**(42,943)**	(54,108)
		(42,943)	(54,108)

* Comparative figures for the year ended 31 December 2017 have been restated due to the adoption of IFRS 15 using the fully retrospective method, together with adjustments made in accordance with IAS 17, as set out in note 31.

Consolidated balance sheet

as at 31 December 2018

	Note	2018 $'000	2017 Restated $000	1 January 2017 Restated* $000
ASSETS				
Non-current assets				
Goodwill	15	**254,144**	217,004	191,976
Other intangible assets	16	**270,307**	246,965	245,156
Property, plant and equipment	17	**110,720**	86,805	67,884
Assets held for sale	18	**-**	165	200
Derivative financial instruments	23, 36	**333**	-	-
Total non-current assets		**635,504**	550,939	505,216
Current assets				
Inventories	20	**34,933**	25,700	21,015
Trade and other receivables	21	**63,649**	57,419	46,800
Contract costs	21	**1,904**	1,224	743
Derivative financial instruments	23, 36	**44**	-	-
Cash and cash equivalents	33	**46,558**	21,864	18,464
Total current assets		**147,088**	106,207	87,022
Total assets		**782,592**	657,146	592,238
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	28	**58,431**	57,722	51,590
Translation reserve	29	**27,299**	14,473	31,198
Hedging reserve	29	**(97)**	(281)	(811)
Other reserves	29	**152**	152	152
Retained earnings	30	**(183,768)**	(127,815)	(89,902)
Equity attributable to Shareholders		**(97,983)**	(55,749)	(7,773)
Total equity		**(97,983)**	(55,749)	(7,773)

* Comparative figures for the year ended 31 December 2017 have been restated due to the adoption of IFRS 15 using the fully retrospective method, together with adjustments made in accordance with IAS 17, as set out in note 31.

Consolidated balance sheet (continued)

as at 31 December 2018

	Note	2018 $'000	2017 (as restated) $000	1 January 2017 Restated* $000
EQUITY AND LIABILITIES continued				
Non-current liabilities				
Borrowings:				
– bank and other borrowings	22	**762,530**	606,337	501,531
– obligations under finance leases	22, 25	**1,240**	463	294
Total borrowings		**763,770**	606,800	501,825
Derivative financial instruments	23, 36	**-**	221	971
Deferred tax liability	24	**35,808**	31,714	33,929
Provisions	27	**1,225**	1,116	879
Other long-term obligations		**8**	8	-
Total non-current liabilities		**800,811**	639,859	537,604
Current liabilities				
Trade and other payables	26	**49,808**	40,870	34,757
Borrowings:				
– bank and other borrowings	22	**-**	5,379	2,686
– obligations under finance leases	22, 25	**439**	283	293
Total borrowings		**439**	5,662	2,979
Current tax liabilities		**3,255**	3,287	1,583
Provisions	27	**2,721**	501	745
Deferred revenue		**22,743**	22,398	21,827
Derivative financial instruments	23, 36	**14**	79	-
Deferred consideration		**784**	239	516
Total current liabilities		**79,764**	73,036	62,407
Total liabilities		**880,575**	712,895	600,011
Total equity and liabilities		**782,592**	657,146	592,238

* Comparative figures for the year ended 31 December 2017 have been restated due to the adoption of IFRS 15 using the fully retrospective method, together with adjustments made in accordance with IAS 17, as set out in note 31.

The consolidated Financial Statements were approved by the Board of Directors and authorised for issue on 26 April 2019 and were signed on its behalf by:

Huw Jenkins
Group Chief Financial Officer

***Company number* 09297208**

Consolidated statement of changes in equity

for the year ended 31 December 2018

	Share capital $'000	Translation reserve restated* $'000	Hedging reserve $'000	Other reserves $'000	Retained earnings $'000	Total $'000
Balance at 1 January 2017 – as previously reported	51,590	31,238	(811)	152	(92,760)	(10,591)
Prior period adjustment (note 31)	-	(40)	-	-	2,858	2,818
Balance at 1 January 2017 – restated	51,590	31,198	(811)	152	(89,902)	(7,773)
Loss for the year – as restated*	-	-	-	-	(37,913)	(37,913)
Other comprehensive income	-	(16,725)	530	-	-	(16,195)
Total comprehensive income	-	(16,725)	530	-	(37,913)	(54,108)
Shares issued in the year	6,132	-	-	-	-	6,132
Balance at 1 January 2018 – restated	57,722	14,473	(281)	152	(127,815)	(55,749)
Loss for the year	-	-	-	-	(55,953)	(55,953)
Other comprehensive income	-	12,826	184	-	-	13,010
Total comprehensive income	-	12,826	184	-	(55,953)	(42,943)
Shares issued in the year	709	-	-	-	-	709
Balance at 31 December 2018	**58,431**	**27,299**	**(97)**	**152**	**(183,768)**	**(97,983)**

* Comparative figures for the year ended 31 December 2017 have been restated due to the adoption of IFRS 15 using the fully retrospective method, together with adjustments made in accordance with IAS 17, as set out in note 31

Consolidated cash flow statement

for the year ended 31 December 2018

	Note	Year ended 31 December 2018 $'000	2017 Restated* $'000
Loss after tax for the year		**(55,953)**	(37,913)
Adjustments:			
– depreciation and amortisation		**63,812**	53,071
– income tax credit	13	**(1,867)**	(4,224)
– net interest expense and changes in the fair value of derivative financial instruments		**58,169**	43,294
– (profit)/loss on disposal of non-current assets		**(116)**	7
– share of loss of equity accounted joint venture	8	**-**	21
– gain on bargain purchase	32	**(692)**	-
– foreign exchange movements	8	**3,809**	5,681
Adjusted operating profit before working capital movements		**67,162**	59,937
Net effect of working capital movements	33	**550**	(9,815)
Cash flow before purchase of rental assets, interest and tax		**67,712**	50,122
Purchases of rental assets		**(45,438)**	(25,709)
Proceeds on disposal of rental assets		**182**	100
Interest paid		**(20,598)**	(19,867)
Tax paid		**(3,647)**	(212)
Net cash (used in)/from operating activities		**(1,789)**	4,434
Investing activities			
Interest received		**117**	86
Proceeds on disposal of property, plant and equipment		**310**	151
Purchases of property, plant and equipment		**(7,663)**	(5,519)
Purchases of intangible assets		**(16,328)**	(4,832)
Acquisitions, net of cash acquired		**(85,861)**	(24,709)
Deferred consideration paid		**(233)**	(517)
Proceeds on disposal of interest in joint venture		**300**	-
Net cash used in investing activities		**(109,358)**	(35,340)
Financing activities			
Proceeds from the issue of new shares (net of costs)	28	**709**	6,132
New bank loans and other borrowings raised		**558,596**	28,243
Repayment of bank loans and other financing		**(421,629)**	(1,375)
Payment of derivative financial instruments		**(751)**	-
Net cash from financing activities		**136,925**	33,000
Translation differences		**(1,084)**	1,306
Net increase in cash and cash equivalents		**24,694**	3,400
Net cash and cash equivalents at beginning of year		**21,864**	18,464
Net cash and cash equivalents at end of year	33	**46,558**	21,864

* Comparative figures for the year ended 31 December 2017 have been restated due to the adoption of IFRS 15 using the fully retrospective method, together with adjustments made in accordance with IAS 17, as set out in note 31.

Notes to the consolidated financial statements

for the year ended 31 December 2018

1. General information

The Group operates as a vertically integrated business engaged in the design, manufacture, distribution, servicing and sale of POU water machines and water cooling and filtration equipment (including bottled water) in worldwide markets. The Group also engages in the distribution, servicing and sale of coffee equipment in certain markets.

The Company is a private company limited by shares and is incorporated in England and Wales under registration number 09297208. The address of its registered office is 1 Grenfell Road, Maidenhead, Berkshire, SL6 1HN.

The consolidated Financial Statements present the financial record of the Group for the year ended 31 December 2018.

Companies in the consolidated financial information

The principal subsidiary undertakings included within the Financial Statements are set out in note 19.

2. Outlook for adoption of future standards (new and amended)

At the date of authorisation of these Financial Statements, the following standards and relevant interpretations, which have not been applied in these Financial Statements, were in issue but not yet effective (and some of which were pending endorsement by the EU):

- IFRS 16 Leases (effective 1 January 2019)
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatment (effective 1 January 2019)
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective 1 January 2019)
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Annual Improvements to IFRS Standards 2015-2017 Cycle (effective 1 January 2019)

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (the lease liability) and an asset representing the right to use the underlying asset during the lease term (the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16

The Group plans to adopt IFRS 16 using the modified retrospective approach. The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e. personal computers, printing and photocopying machines) that are considered of low value.

During 2018, the Group has implemented software that will enable all leases to be accounted for under IFRS 16. The final testing of this software is being performed but expectations are that the Group's operating profit will improve, while its interest expense will increase. This is due to the change in the accounting for expenses of leases that were classified as operating leases under IAS 17. Management is continuing with its IFRS 16 assessment, reviewing contracts held and calculating the mechanics of the IFRS 16 impact. See note 34 for details of the future operating lease payments under IAS 17 and thus an indication of the impact that will be seen under IFRS 16.

Notes to the consolidated financial statements (continued)

2. Outlook for adoption of future standards (new and amended)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

IFRIC 23 'Uncertainty over income tax treatments' was issued in June 2017 and will be implemented by the Group from 1 January 2019. IFRIC 23 clarifies how to apply the recognition and measurement requirements in IAS 12, Income Taxes, when there is uncertainty regarding income tax treatments. If an entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings. If an entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. In assessing the uncertainty, it is assumed that the tax authority will have full knowledge of all information related to the matter.

The Group is currently in the process of assessing the impact of IFRIC 23 on the financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted These amendments have no impact on the consolidated financial statements of the Group.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The Group does not anticipate any material impact on its financial statements.

Annual Improvements 2015-2017 Cycle (issued in December 2017)

These improvements include:

• IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. The Group does not anticipate any material impact on its financial statements.

• IFRS 11 Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

• IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

2. Outlook for adoption of future standards (new and amended) (continued)

Annual Improvements 2015-2017 Cycle (issued in December 2017) (continued)

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

• IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

Other standards not yet effective

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. Significant accounting policies

The accounting policies set out below have been applied in the Financial Statements.

Basis of preparation
The Group has prepared the Financial Statements under IFRS as adopted by the EU. The Financial Statements have been prepared on a going concern basis and under the historical cost convention, modified by the revaluation of certain financial instruments that are measured and revalued at amounts or fair values at the end of each financial reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The principal accounting policies adopted are set out below.

Adoption of new and amended accounting standards
The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2
- Annual Improvements 2014-2016 cycle
- Transfers to Investment Property – Amendments to IAS 40
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

The group was required to change its accounting policies and make certain retrospective adjustments following the adoption of IFRS 15. This is disclosed in note 31. The adoption of IFRS 9 and the other amendments listed above did not have any impact on the amounts recognised in the current and prior periods and is not expected to significantly affect future periods.

Fair value definition

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated Financial Statements is determined on such a basis, except for share based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Going concern
The Group's business activities and position in the market are described in the Strategic Report. The Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertainties within the global economy. Accordingly, the Directors consider it appropriate to prepare the Financial Statements on a going concern basis. Further detail is contained in the Strategic Report on pages 1 to 7.

Basis of consolidation
The Financial Statements incorporate the results of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Company has the power to govern the financial and operating policies so as to obtain benefits from their activities.

Income and expenses of subsidiaries acquired during the year to 31 December 2018 are included in the consolidated statement of comprehensive income from the effective date of acquisition.

When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

3. Significant accounting policies (continued)

Basis of consolidation (continued)

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Business combinations

Acquisition of subsidiaries and businesses are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition costs are recognised directly in the Income Statement as incurred. Identifiable assets acquired, including intangible assets and liabilities and contingent liabilities assumed in a business combination, are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement for the period.

Where applicable the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted against the cost of acquisition. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The accounting for all subsequent changes in fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent balance sheet dates in accordance with IAS 39 or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in the Income Statement.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share based payment awards are measured in accordance with IFRS 2 Share Based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the "acquisition date"). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in the income statement as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units ("GCUs") expected to benefit from synergies arising from the combination. CGUs to which goodwill has been attributed under IFRS 3 Business Combinations are tested for impairment annually, or more frequently when there is an indication that the CGU may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the CGU, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in determining profit or loss on disposal.

3. Significant accounting policies (continued)

Joint ventures

Jointly controlled entities are those entities over whose activities the Group has joint control. They are established by contractual agreement and require the ventures' unanimous consent for strategic financial and operating decisions. Jointly controlled entities are accounted for using the equity method and are initially recognised at cost. The consolidated Financial Statements include the Group's share of the total comprehensive income and equity movements of equity accounted joint controlled entities, from the date that joint control commences until the date that joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of sales taxes, discounts and after eliminating intra-group sales.

The Group recognises revenue from the following major sources:

- Rental of POU water machines, UTS and bottled water coolers ("water dispensers");
- Service of POU water dispensers;
- Direct and indirect sale of water dispensers;
- Direct and indirect sale of rental contracts; and
- Direct and indirect sale of consumables.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and is recognised when control of a good or service is transferred to a customer. Revenue recognised in the Income Statement but not yet invoiced is held on the balance sheet within "Trade and other receivables". Revenue invoiced but not yet recognised in the Income Statement is held on the balance sheet within "Deferred revenue".

Rental of water dispensers

Rental income is made up of revenue from the supply of goods where the Group is lessor in an operating lease and is recognised over time, with the transaction price allocated to this service released on a straight-line basis over the period of the lease. Included in the transaction price for the rental of water dispensers, in some contracts, is the installation of those dispensers. The rental and installation elements of the contract are considered to be one deliverable, as they are highly interrelated, and therefore there is no allocation of a portion of the transaction price to installation.

Service of water dispensers

Sales of services are recognised proportionally over the duration of the service period, provided a right to consideration has been established.

Direct and indirect sales of water dispensers

Sales of water dispensers are either "direct" to end-user customers or "indirect" to wholesale distributors. Revenue from the supply of goods is recognised once control of the goods has been transferred to the customer, being when the goods have been delivered to a customer site or in the case of indirect sales, when the goods have been delivered to the wholesale distributor.

Included in the transaction price for the direct sale of water dispensers, in some contracts, is the installation of those dispensers. The installation is considered to be a distinct service as it is available for customers from other providers in the market. A portion of the transaction price is therefore allocated to installation services based on the stand-alone selling price of those services. Revenue for installation is recognised once control of the service has been transferred to the customer, being at the time the water dispenser is installed at a customer site.

Customer rebates

Contracts involving the sale of goods that result in rebates or the supply of POU water dispensers free of charge to qualifying customers (usually determined by volume of sales in a given period) are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods supplied and the award of rebates or free issues earned and granted. The consideration allocated to provision for rebates is measured by reference to their fair value – the amount for which the earned credits could be sold separately. Such consideration is not recognised as revenue at the time of the initial sale transaction but is deferred and recognised as revenue only when the Group's obligations have been fulfilled and the actual value of any rebate or free issues determined.

3. Significant accounting policies (continued)

Revenue recognition (continued)

Direct and indirect sale of rental contracts

The Group will occasionally sell the rights under a rental contract together with the related water dispensers and/or coffee dispensers to a third party finance house. Where control of the asset passes to the third party this is accounted for as a "direct" sale of goods. Where the Group retains a significant interest in the underlying asset the sale proceeds are recognised as borrowings and the Group continues to recognise the gross revenues under the rental contract as they are earned. The arrangements have been made both with and without recourse.

Direct and indirect sale of consumables

The Group sells a range of consumables, including bottled water, CO2 and re-usable bottles to complement its water dispensers. Revenue generated by these consumables is recognised when control of the goods passes to the customer, being when the good is delivered to a customer site. Where consumables are included as part of a rental or sale contract the consumables are considered to be a distinct good as they are regularly supplied by the Group to customers on a stand-alone basis and are available for customers from other providers in the market. A portion of the transaction price is therefore allocated to installation services based on the stand-alone selling price of those goods.

Late fees

Where a customer does not pay outstanding amounts in accordance with the contracted terms of trade the Group may levy late fees. Late fees are recognised within income as they arise.

Interest income

Interest income is recognised in the Income Statement when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease (except where immaterial) are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Rental agreements run for a minimum period of twelve months and typically for three to five years. Some rental agreements have no fixed end date and may be cancelled by either party subject to a minimum notice period or early termination penalty. The average useful economic life for a POU water device is approximately four to ten years whilst refurbishment can extend the life of some devices to eleven years or more. For this reason existing rental agreements are not judged to transfer substantially all of the risks and rewards of ownership to the lessee.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in the income statement, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease.

In the event that lease incentives are received at the time the entity enters into an operating lease agreement, such incentives are recognised as a liability and recycled through the income statement over the term of the lease agreement. The aggregate benefit of incentives is recognised in the income statement as a reduction to rental expense on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. Significant accounting policies (continued)

Foreign currencies

The individual Financial Statements of each subsidiary are presented in the currency of the primary economic environment in which it operates (its functional currency). Following the acquisition of the Waterlogic Group in 2015 the US Dollar became the predominant functional currency of the Group and therefore the presentation currency for the Consolidated Financial Statements is the US Dollar.

In preparing the Financial Statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the income statement in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to the income statement on disposal or partial disposal of the net investment.

For the purpose of presenting the Financial Statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Borrowing costs

The Group has incurred no borrowing costs attributable to the acquisition, construction or production of qualifying assets. Borrowing costs incurred in relation to refinancing are capitalised and amortised to the income statement over the term of the loan. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Operating profit

Operating profit is stated before investment or finance income and finance costs.

Adjusted profitability measures

The Directors use adjusted profitability measures to judge the profitability of the Group in order to provide them with a consistent basis of comparison of the Group's results on a year-on-year basis, and to provide the reader of the accounts with a fuller understanding of the financial performance of the Group. Adjusting items presented on the face of the Consolidated Income Statement are considered to be those that are one-off in nature, out of the normal operating activities of the Group or otherwise presented to provide the reader of the accounts with a fuller understanding of the financial performance of the Group.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Notes to the consolidated financial statements (continued)

3. Significant accounting policies (continued)

Taxation (continued)

Deferred tax (continued)

Deferred tax liabilities are only recognised for taxable temporary differences arising on investments in subsidiaries where the Group is unable to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Tangible and intangible assets

Property, plant and equipment

Land, buildings, fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Freehold land is not depreciated.

Depreciation is recognised so as to write off the cost or valuation of assets less residual value over their useful lives, using the straight line method, on the following bases:

POU water dispensers on rental	4–10 years
Bottled water dispensers	4–10 years
Plant and machinery	3–10 years
Fixtures, fittings and equipment	3–10 years
Motor vehicles	3–5 years
Property	30 years
Rental commissions	2–8 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement on the transfer of the risks and rewards of ownership.

The Group has no class of tangible fixed asset that has been revalued.

Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Intangible assets – useful economic lives

Amortisation is provided for intangible assets other than goodwill and certain other specific intangible assets so as to write off the cost or valuation of the assets over their useful lives, using a straight-line method, on the following bases:

Customer relationships	5–15 years
Development costs	5–10 years
Brand names, trademarks and patents	1–10 years
Software	3–5 years
Re-acquired rights	5–15 years

Amortisation of intangible assets is charged to administrative expenses in the consolidated income statement.

3. Significant accounting policies (continued)

Tangible and intangible assets (continued)

Internally generated intangible assets

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.

Purchased patents and trademarks

Patents and trademarks are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives where there is an expiry date.

Purchased customer lists and rental contracts (customer relationships)

Customer lists and rental contracts are measured initially at the purchase cost attributed to them when the asset is bought. In the absence of an external market for the buying and selling of these intangible assets, the valuation is normally based on a discounted cash flow approach with assumptions made for customer attrition rates, growth, contributory asset charges, asset specific discount rates, useful economic life and an estimate of tax amortisation benefits arising from the recognition of these intangibles. For all significant acquisitions these valuations have been prepared by independent valuation firms.

Other purchased intangibles

On the acquisition of a legal entity or a trading business, the Group undertakes an evaluation of the business to identify the existence of any intangible assets in accordance with IFRS 3 (2008). The classes of intangible assets that are most commonly identified include brand names, non-compete agreements with key personnel and the existence of a skilled and knowledgeable workforce. With the exception of the workforce, which is allocated to goodwill, all other acquired intangibles are recognised under brand names, trademarks, customer relationships and patents (note 16). For all significant acquisitions these valuations have been prepared by independent valuation firms.

Impairment of tangible and intangible assets excluding goodwill

At the balance sheet date, the Group reviewed 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 to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of: (i) fair value less costs to sell; and (ii) 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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease to the extent that the revaluation balance is greater than the impairment loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years for the asset (or CGU). A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using either the first-in-first-out method or, for fast moving items, the average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

3. Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

All financial assets are normally recognised and de-recognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit and loss, which are initially measured at fair value. On de-recognition, however, where a specific transaction is entered into with a counterparty that is judged to carry a high credit or liquidity risk, then the Directors may determine that de-recognition of the financial asset shall be based on settlement date rather than trade date, with any realised gain or loss taken to the income statement on date of settlement.

Financial assets that are within the scope of IFRS 9 are required to be classified and measured subsequently at amortised cost, fair value through OCI ('FVTOCI') or fair value through profit and loss ('FVTPL') on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at FVTOCI;
- all other debt investments and equity investments are measured subsequently at FVTPL.

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and amounts paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Classes of financial asset

Financial assets at amortised cost

The Group 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.

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified at amortised cost. Trade and other receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial assets at FVTOCI

Financial assets at FVTOCI are stated at fair value, with any gains or losses arising on re-measurement recognised in other comprehensive income. Fair value is determined in the manner described in note 36.

Financial assets at FVTPL

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in the income statement. The net gain or loss recognised in the income statement incorporates any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item in the income statement. Fair value is determined in the manner described in note 36.

3. Significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. In accordance with IFRS 9 impairment of financial assets is based on an expected credit loss ('ECL') model. The ECL model requires the Group to account for ECLs and changes in those ECLs at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. 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 of the investment have been affected, IFRS 9 also requires current and future events to be considered when making an impairment assessment.

IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime ECLs if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset.

However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

For listed and unlisted equity investments measured at fair value, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The Group applies the IFRS 9 simplified approach to the measurement of ECLs which uses a lifetime ECL for all trade receivables. The ECL on these trade receivables are estimated using a provision matrix for collective assessment based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, to the extent that these are expected to have an effect on recovery of trade receivables.

To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics where relevant, and the days past due. The ECL percentage rates of default applied to trade receivables grouped by days past due are based on the payment profiles of sales over a selected period and the corresponding historical default (non-payment which resulted in the debt being written off) experienced in relation to these sales. The percentage rates of default are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables where applicable.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the income statement.

De-recognition of financial assets

The Group de-recognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. Significant accounting policies (continued)

Financial instruments (continued)

De-recognition of financial assets (continued)

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Compound instruments

The Group has issued no compound instruments (convertible bonds) requiring separate classification as financial liabilities and equity in accordance with the substance of the contractual arrangement.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities

Financial liabilities are classified as either "financial liabilities at FVTPL" or "other financial liabilities".

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives and IFRS 9 Financial Instruments permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in the income statement. The net gain or loss recognised in the income statement incorporates any interest paid on the financial liability and is included in the "other gains and losses" line item in the income statement. Fair value is determined in the manner described in note 36.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

De-recognition of financial liabilities

The Group de-recognises financial liabilities when the Group's obligations are discharged, cancelled or they expire.

3. Significant accounting policies (continued)

Derivative financial instruments

The Group is able to enter into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and interest rate caps. Further details of derivative financial instruments are disclosed in note 36.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the Income Statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Income Statement depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than twelve months and it is not expected to be realised or settled within twelve months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than twelve months and is not expected to be realised or settled within twelve months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Group designates certain hedging instruments, which include derivatives in respect of interest rate risk and foreign currency risk as cash flow hedges. At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

• there is an economic relationship between the hedged item and the hedging instrument;

• the effect of credit risk does not dominate the value changes that result from that economic relationship; and

• the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

The Group designates only the intrinsic value of option contracts as a hedged item, i.e. excluding the time value of the option. The changes in the fair value of the aligned time value of the option are recognised in other comprehensive income. If the hedged item is transaction-related, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time-period related, then the amount accumulated in the OCI is reclassified to profit or loss on a rational basis – the Group applies a weighted average basis. Those reclassified amounts are recognised in profit or loss in the same line as the hedged item. If the hedged item is a non-financial item, then the amount accumulated in the OCI is removed directly from equity and included in the initial carrying amount of the recognised non-financial item. Furthermore, if the Group expects that some or all of the loss accumulated in cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement, and is included in the "other gains and losses" line item.

3. Significant accounting policies (continued)

Cash flow hedge (continued)

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line of the income statement as the ineffective hedged costs. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

Notes 23 and 36 set out details of the fair values of any derivative instruments used for hedging purposes.

Share based incentives

Equity-settled share based incentives to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions.

The fair value determined at the grant date of the equity-settled share based incentives is expensed on a straight line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the income statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group 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 balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and which have the most significant effect on the amounts recognised in the financial statements.

Leases – the Group as lessor

Rental agreements run for a minimum period of twelve months and typically for three to five years. This is substantially less than the average useful economic life for a POU device. For this reason all existing rental agreements are not judged to transfer substantially all of the risks and rewards of ownership to the lessee. Consequently they are accounted for as operating leases.

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Valuing acquired intangible assets

Since most acquired intangibles are not traded on an open market the absence of a market price means that the valuations are normally based on a discounted cash flow approach. This relies on setting customer attrition rates, growth rates, asset specific discount rates, useful economic life assumptions and an estimate of tax amortisation benefits arising from the recognition of these intangibles. In most circumstances the valuations are prepared by independent valuation firms with knowledge of the market in which the Group operates.

Recoverability of internally generated intangible asset

Annually the Directors reconsider the recoverability of all of the Group's material internally generated intangible assets which are included in its closing balance sheet.

For those elements of development that are capitalised, the Directors have assessed the progress of these projects, considering the estimated anticipated future economic benefit for product development, or likelihood of successfully bringing an asset, such as software purchased for internal use, to its full working condition.

The Directors consider that the carrying amount is the most appropriate presentation for development of this nature.

Impairment of goodwill

The Directors review the carrying value of the Group's goodwill balances at least annually. Determining whether goodwill is impaired requires an estimation of the value in use or fair value less cost of disposal of the CGUs to which goodwill has been allocated. The value in use calculation requires an entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. The fair value less cost of disposal is the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal. Further details are given in note 15.

Calculation of ECL

The Directors undertake a review of all new customers and a periodic review of existing customers to determine whether specific risks of default exist. Beyond identification of specific risks, the Directors undertake periodic reviews into the calculation of ECL to ensure historic, current and forward-looking information continue to provide a basis for impairment assessment. Counterparty risk is mitigated in respect of rental customers as the rentals are collected in advance. Indications of default can be identified early and recourse action taken to recover overdue rentals or repossess equipment provided under the rental agreement.

5. Revenue from contracts with customers

An analysis of the Group's revenue is as follows:

	Year ended 31 December	
	2018 $'000	2017 Restated* $'000
Continuing operations		
Direct revenue	**35,434**	11,814
Indirect revenue	**46,796**	41,339
Rental income	**120,034**	103,168
Service income	**60,108**	49,798
Consumables revenue	**43,975**	37,317
Other revenue	**10,686**	8,944
Total revenue	**317,033**	252,380

* The above analysis includes additional categories which were not included in the prior year financial statements. Accordingly, the comparative figures presented in the above table have been reclassified to accommodate the more detailed analysis provided.

Direct revenue represents the value of sales made directly to customers. Indirect revenue represents sales made through the Group's dealer network.

A geographical analysis of revenue by customer location is as follows:

	Year ended 31 December	
	2018 $'000	2017 $'000
Continuing operations		
UK and mainland Europe	**161,584**	131,666
Scandinavia	**38,225**	30,067
USA and Canada	**72,095**	64,955
Australia	**44,664**	25,379
Rest of the world	**465**	313
Total revenue	**317,033**	252,380

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time, analysed as follows:

	Year ended 31 December	
	2018 $'000	2017 $'000
Revenue recognised:		
Over time	**180,142**	152,966
At a point in time	**136,891**	99,414
Total revenue	**317,033**	252,380

Rental commissions

Management considers that incremental commission fees paid to employees as a result of obtaining operating leases relating to rental income are recoverable. The Group has therefore capitalised them within plant, property and equipment in the amount of $9,360,000 at 31 December 2018 (2017: $5,874,000). Capitalised commission fees are amortised when the related revenues are recognised. In 2018, the amount of amortisation was $1,571,000 (2017: $959,000) and there was no impairment loss in relation to the costs capitalised. Further details of movements in the carrying value of capitalised contract costs are shown in note 17.

6. Auditor's fees

The analysis of the auditor's fees is as follows:

	Year ended 31 December 2018 $'000	2017 $'000
Audit services and audit related services		
Fees payable to the Group's auditor and its associates for the audit of the Company's annual accounts	**8**	8
Fees payable to the Group's auditor and its associates for the audit of the Company's subsidiaries	**1,069**	863
Total audit fees	**1,077**	871
Other services		
Other taxation services:		
Taxation compliance services	**11**	45
Other taxation advisory services	**256**	115
Other non-audit services	**273**	-
Total non-audit services	**540**	160
Total	**1,617**	1,031

No services were provided pursuant to contingent fee arrangements.

7. Loss for the year

Loss for the year has been arrived at after charging/(crediting):

	Note	Year ended 31 December 2018 $'000	2017 Restated $'000
Net foreign exchange losses/(gains)	8	**3,810**	5,682
Research and development costs		**1,350**	1,183
Depreciation of property, plant and equipment	17	**30,653**	22,099
(Profit)/loss on disposal of property, plant and equipment	8	**(116)**	7
Amortisation of acquired intangibles	16	**30,981**	29,572
Amortisation of other intangibles	16	**2,178**	1,400
Gain recorded on bargain purchase	32	**(692)**	-
Operating lease rental expense*	34	**13,150**	12,054
Cost of inventories recognised as an expense		**51,533**	35,803
Write downs of inventories recognised as an expense		**149**	71
Reversal of write downs of inventories recognised as a credit		**(40)**	(48)
Staff costs:			
– corporate reorganisation		**1,637**	661
– other		**120,392**	95,568
Acquisition and integration related costs		**6,353**	3,635
Impairment losses recognised on trade receivables	21	**2,094**	1,388
Reversal of impairment losses recognised on trade receivables	21	**(832)**	(323)
Change in fair value of derivative financial instruments	10	**346**	(98)
Loss on derivatives in a designed cash flow hedge accounting relationship	10	**186**	767

*The comparative figure for minimum lease payments shown above has been restated from $8,851,000 previously reported as it was noted subsequent to the approval of the financial statements that an amount of $3,203,000 had inadvertently been omitted. This does not impact any other figures in the financial statements.

Notes to the consolidated financial statements (continued)

7. Loss for the year (continued)

Adjusted profitability measures

The Directors use adjusted profitability measures to judge the profitability of the Group in order to provide them with a consistent basis of comparison of the Group's results on a year-on-year basis. Adjusting items are considered to be those that are one-off in nature, out of the normal operating activities of the Group or otherwise presented to provide the reader of the accounts with a fuller understanding of the financial performance of the Group. During the years under review, "Adjusted Measures" include adjusted operating profit and a djusted EBITDA.

The following items, including their tax effect where applicable, have been taken into account when calculating adjusted items:

- *Corporate reorganisation costs*
  - Costs associated with termination of employment resulting from:
    - relocation and/or redundancy of role; and
    - termination payments to Executive Directors of the Group;
  - Costs associated with the restructuring, re-organising, liquidating, merging, incorporation and disposal of legal entities and joint ventures, including the associated tax, legal and financial advice costs; and
  - Non-recurring costs associated with the restructuring of the Group's tax operating and funding model.
- *Acquisition and integration related costs*
  - Costs associated with acquisitions, including transaction costs and fair value adjustments on contingent consideration; and
  - Costs associated with the integration of companies and businesses, including restructuring undertaken as a result of the acquisition of subsidiaries or businesses by the Group.
- *Gain recorded on bargain purchase*
  - Gain on acquisition of entities where the fair value of net assets acquired exceeds the fair value of consideration paid.
- *Amortisation of acquired intangibles*
  - Amortisation charge for the period relating to intangibles acquired with purchased subsidiaries (see note 16).
- *Group ERP implementation costs*
  - Costs associated with the implementation of a Group-wide ERP solution including data cleansing, data migration, training and other costs.

	Year ended 31 December	
	2018 $'000	2017 Restated $'000
Operating profit	**349**	1,157
Add depreciation, amortisation and impairment	**63,812**	53,071
EBITDA*	**64,161**	54,228
Adjusting items:		
– corporate reorganisation costs*	**2,234**	855
– acquisition and integration related costs*	**6,353**	3,635
– gain recorded on bargain purchase	**(692)**	-
– amortisation of acquired intangibles	**30,981**	29,572
– Group ERP implementation costs*	**5,165**	56
Total adjusting items	**44,041**	34,118
Adjusted operating profit	**44,390**	35,275
Adjusted EBITDA*	**77,913**	58,774

* items included in calculating adjusted EBITDA

8. Other gains and losses

	Year ended 31 December	
	2018 $'000	2017 $'000
Gain/(loss) on disposal of non-current assets	**116**	(7)
Losses on foreign exchange movements	**(3,810)**	(5,682)
Share of results of joint venture	**-**	(21)
Gain recorded on bargain purchase	**692**	-
Other gains	**269**	490
	(2,733)	(5,220)

No other gains or losses have been recognised in respect of loans or on financial liabilities measured at amortised cost.

9. Finance income

	Year ended 31 December	
	2018 $'000	2017 $'000
Bank deposit interest	**50**	66
Other finance income	**115**	20
	165	86

10. Finance costs

	Year ended 31 December	
	2018 $'000	2017 $'000
Interest on loan from parent undertaking	**21,722**	20,050
Interest on bank overdrafts and loans	**20,016**	18,767
Bank loan facility fees	**15,709**	3,576
Interest on finance leases	**180**	46
Other financial expenses	**175**	278
Total interest expense	**57,802**	42,717
Unwinding of discount effect on liabilities	**-**	(6)
Loss arising on derivatives in a designated cash flow hedge accounting relationship	**186**	767
Financial assets and liabilities at fair value through profit and loss – net change in fair value	**346**	(98)
	58,334	43,380

The loss on derivatives in a designated cash flow hedge accounting relationship relates to the profit and loss movement in the period in relation to interest rate swaps and caps designated as cash flow hedges on the Group's loan facilities, details of which are disclosed in note 23.

11. Staff information

Staff costs (including Directors) during the year were as follows:

	Year ended 31 December	
	2018 $'000	2017 $'000
Wages and salaries	**102,539**	80,781
Social security costs	**16,349**	13,166
Other pension costs	**3,141**	2,282
	122,029	96,229

The Company has no employees other than its directors, whose remuneration is disclosed in note 12.

11. Staff information (continued)

The average number of employees during the period was:

	Year ended 31 December	
	2018 Number	2017 Number
Administration and management	**323**	252
Operations	**1,415**	1,177
Sales and marketing	**533**	439
	2,271	1,868

Under a Management Investment Plan ("MIP") some Senior Managers and Directors within the Group have been granted share options in a related party, Firewall Management MIP S.A. The exercise price of the share options is equal to the market value of the underlying shares on the date of grant. The share options vest to the employees on a time ('cliff') basis at a rate of 25% per annum on a straight line basis and are exercisable on an exit by the ultimate controlling parties. At the various grant dates, and at 31 December 2018, there remains a high degree of uncertainty around a potential exit date and therefore no value has been attributed to the share options. The exit date assumptions will be reassessed at the later of the grant date or the year end. There will be an accelerated charge to be recognised in the income statement once the exit date can be reliably estimated.

12. Directors' remuneration

Directors' remuneration for the year was as follows:

	Year ended 31 December	
	2018 $'000	2017 $'000
Remuneration	**2,131**	2,157
Company contributions to defined contribution pension schemes	**32**	40
Benefits in kind	**31**	44
	2,194	2,241

Included in the above figures is the remuneration of a non-executive director who is a not a statutory director. During the year benefits were accruing to three directors under defined contribution pension schemes. The highest paid director received remuneration of $677,000 (2017: $592,000) The value of the company's contributions to a defined contribution pension scheme in relation to the highest paid director was $11,000 (2017: $10,000).

13. Tax

	Year ended 31 December	
	2018 $'000	2017 Restated $'000
Current tax expense:		
Current year	**3,431**	2,580
Adjustments in respect of prior years	**(78)**	(45)
	3,353	2,535
Deferred tax (note 24):		
Origination and reversal of temporary differences	**(5,992)**	(6,789)
Change in tax rate on deferred tax asset/liability brought forward	**(92)**	(651)
Adjustments in respect of prior years	**864**	230
Recognition of previously unrecognised deferred tax liability	**-**	451
Total deferred tax credit	**(5,220)**	(6,759)
Total tax credit	**(1,867)**	(4,224)

The standard rate of corporation tax applied to reported profit is 19 per cent (2017: 19.25 per cent) of the estimated taxable profit for the year in the income statement for the Group, which at 31 December 2018 was resident for tax purposes in the England and Wales (2017: England and Wales). The current UK corporation tax rate of 19 per cent will reduce to 17 per cent from 1 April 2020 (substantively enacted on 6 September 2016). Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The tax credit for each period can be reconciled to the loss per the income statement as follows:

	Year ended 31 December	
	2018 $'000	2017 Restated $'000
Loss before tax on continuing operations	**(57,820)**	(42,137)
Tax at the UK corporation tax rate of 19 per cent (2017: 19.25 per cent)	**(10,986)**	(8,111)
Tax effect of expenses that are not deductible in determining taxable profit	**4,933**	137
Tax effect of non-taxable income	**(220)**	(68)
Tax effect of tax losses in current period not utilised and deferred tax not recognised	**5,795**	5,956
Tax effect of other temporary differences where deferred tax not recognised	**(135)**	126
Utilisation of brought forward losses where losses previously not provided	**(182)**	(305)
Adjustments recognised in the current year in relation to the tax of prior years – current tax	**(78)**	(45)
Adjustments recognised in the current year in relation to the tax of prior years – deferred tax	**864**	230
Effect of change in tax rate on deferred tax asset/liability brought forward	**(92)**	(651)
Tax effect of items charged at non-standard rate	**(1,766)**	(1,944)
Recognition of previously unprovided deferred tax liability	**-**	451
Total tax credit for the year	**(1,867)**	(4,224)

The tax rate used for the above reconciliation is the effective domestic rate of tax in the United Kingdom, being the country in which the Company is domiciled. This was 20% from 1 April 2016 to 31 March 2017 and has remained at 19% up to 31 December 2018. Accordingly, the effective rate for 2018 was 19% and for 2017 was 19.25%.

14. Dividends

No dividends have been declared in the two periods covered in the Financial Statements.

15. Goodwill

	Cost $'000	Accumulated impairment losses $'000	Carrying amount $'000
At 1 January 2017	203,304	(11,328)	191,976
Acquisitions	10,983	-	10,983
Exchange differences	14,045	-	14,045
At 1 January 2018	228,332	(11,328)	217,004
Acquisitions (note 32)	48,899	-	48,899
Exchange differences	(11,759)	-	(11,759)
At 31 December 2018	**265,472**	**(11,328)**	**254,144**

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. All CGUs in the Group are geographical areas with the exception of Aqua Cure, WL Trading, UK, Billi Australia and Billi UK which operate in different markets with independent cash flows arising from those markets. The carrying amount of goodwill had been allocated as follows:

	Opening Goodwill balance $'000	Acquisitions $'000	Exchange differences $'000	Closing Goodwill balance $'000
USA	40,136	6,557	-	46,693
Norway	6,606	-	(353)	6,253
Australia	22,706	-	(2,187)	20,519
Billi Australia	-	21,056	(1,412)	19,644
Germany	12,056	1,446	(609)	12,893
WL Trading	19,350	-	-	19,350
UK	93,987	5,831	(5,256)	94,562
Billi UK	-	11,150	(883)	10,267
Other	22,163	2,859	(1,059)	23,963
Total	**217,004**	**48,899**	**(11,759)**	**254,144**

Within the "Other" category are a number of CGUs (the "Other CGUs") for which the amount of goodwill allocated to each unit is not significant in comparison with the Group's total carrying amount of goodwill.

The Group tests annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the cash generating units (CGUs) are determined from the higher of value in use and fair value less cost to sell ("FVLCS") and other evidence of CGU value that is available to the Group. The cash flow forecasts are based on the most recent Board approved budget and projections for next five years.

The key assumptions for the value in use calculations are those regarding the revenue growth rates, discount rates and EBITDA margins. These assumptions are reviewed and revised annually in light of current economic conditions and the future outlook of each CGU.

The Directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the conditions specific to each CGU. This has been set at 10.4 per cent for the Group (2017: 12.0 per cent) with some adjustments made to specific CGU discount rates including those required to reflect specific risks associated with the CGU's estimated cash flows relative to those of the Group, as shown below. A range of pre-tax discount rates from 10.6% to 17.3% percent was used (2017: 12.5% to 16.9%).

The revenue growth rates used in the initial five-year term consider the existing customer base and revenue commitments, anticipated additional sales to existing and new customers, and specific market trends that are currently seen or expected in the future. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. The compound average growth rates (CAGR) applied to revenue range from 1.6% to 19.0% (2017: 2.5% to 17.5%) with a long-term growth rate ranging from 1.5% to 3.2% (2017:1.5% to 3.0%) applied in the terminal value calculation, based on long-term inflation rates of the geographic market in which the CGUs operate.

15. Goodwill (continued)

EBITDA margins are assumed to remain sustainable, an assumption which is supported by historical experience. The margins vary between CGUs dependent on the market and growth stage of the CGU. The average EBITDA margins applied in the projection period range from 13.0% to 44.2% (2017: 2.4% to 45.7%).

Where FVLCS is used as the valuation method, the recoverable amount of the CGU is calculated using discounted cash flow projections which include the expected cash flow from the disposal of the asset at the end of the forecast period of 5 years, or the 2018 annualised post acquisition cash flows of entities acquired in the year.

Discount rates, growth rates and EBITDA margins used in the initial 5-year term are determined in the same way as those used in the value in use calculations.

The disposal proceeds have been estimated with reference to publicly available information relating to the sale of similar assets.

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs or group of units that are expected to benefit from that business combination. Details of the 2018 acquisitions are disclosed in note 32.

Impairment reviews were performed for each individual CGU as at 31 December 2018, including sensitivity analysis (discussed below) on downside in revenue growth and EBITDA.

No impairment in the value of goodwill in any of the CGUs was identified.

Sensitivity analysis

Sensitivity analysis has been performed on reasonably possible changes to the key assumptions detailed above. The following changes would result in the carrying amount of the CGU exceeding its recoverable amount:

- Australia: An increase in the discount rate of 0.8%, a decrease in the terminal growth of 1.2% or a decrease in the average EBITDA margin of 1.9% would result in the carrying amount of the CGU being equal to its recoverable amount.
- UK: An increase in the discount rate of 0.5% or a decrease in the terminal growth of 0.8% would result in the carrying amount of the CGU being equal to its recoverable amount.
- Spain: A decrease in the revenue CAGR of 4.3% or a decrease in the average EBITDA margin of 4.7% would result in the carrying amount of the CGU being equal to its recoverable amount.
- France: A decrease in the average EBITDA margin of 2.5% would result in the carrying amount of the CGU being equal to its recoverable amount.
- USA: A decrease in the average EBITDA margin of 2.9% would result in the carrying amount of the CGU being equal to its recoverable amount.

16. Other intangible assets

	Customer relationships $'000	Development costs $'000	Brand names, trademarks and patents $'000	Assets in the course of construction $'000	Software $'000	Acquired customer relationships $'000	Acquired brand names, trademarks and patents $'000	Re-acquired rights $'000	Other acquired intangible assets $'000	Total $'000
Cost										
At 1 January 2017	-	2,249	221	1,742	3,255	156,522	27,384	66,862	28,734	286,969
Additions	91	761	32	3,168	780	-	-	-	-	4,832
Acquisitions	-	-	-	-	525	10,681	834	-	491	12,531
Exchange differences	-	-	(1)	214	570	10,047	826	6,758	506	18,920
At 1 January 2018	91	3,010	252	5,124	5,130	177,250	29,044	73,620	29,731	323,252
Additions	8,854	976	171	4,812	1 515	-	-	-	-	16,328
Acquisitions (note 32)	-	-	-	-	3	34,687	9,256	-	8,510	52,456
Exchange differences	(196)	(5)	1	(433)	(859)	(8,919)	(1,127)	(3,985)	(939)	(16,462)
At 31 December 2018	**8,749**	**3,981**	**424**	**9,503**	**5,789**	**203,018**	**37,173**	**69,635**	**37,302**	**375,574**
Accumulated amortisation										
At 1 January 2017	-	474	45	-	980	21,332	4,987	6,759	7,236	41.813
Charge for the year	3	512	47	-	838	14,130	3,838	7,517	4,087	30,972
Exchange differences	-	-	-	-	370	1,955	135	817	225	3,502
At 1 January 2018	3	986	92	-	2,188	37,417	8,960	15,093	11,548	76,287
Charge for the year	386	661	68	-	1 063	15,731	3,483	7,539	4,228	33,159
Exchange differences	(11)	(1)	(1)	-	(287)	(2,363)	(165)	(1,119)	(232)	(4,179)
At 31 December 2018	378	1,646	159	-	2,964	50,785	12,278	21,513	15,544	105.267
Carrying amount										
At 31 December 2018	**8,371**	**2,335**	**265**	**9,503**	**2,825**	**152,233**	**24,895**	**48,122**	**21,758**	**270,307**
At 31 December 2017	88	2,024	160	5,124	2,942	139,833	20,084	58,527	18,183	246,965

Notes to the consolidated financial statements (continued)

17. Property, plant and equipment

	Restated Rental commissions $000	Property $'000	Point-of-use dispensers $'000	Plant and machinery $'000	Fixtures, fittings and equipment $'000	Motor vehicles $'000	Restated Total $'000
Cost							
At 1 January 2017	3,226	928	77,424	6,008	4,133	1,481	93,200
Additions	2,594	640	23,115	2,333	1,674	872	31,228
Acquisitions	-	8	4,208	2	90	178	4,486
Disposals	-	-	(633)	(12)	(80)	(138)	(863)
Exchange differences	54	75	6,157	552	386	157	7,381
At 1 January 2018	5,874	1,651	110,271	8,883	6,203	2,550	135,432
Additions	3,661	784	41,777	2,546	2,004	2,329	53,101
Acquisitions (note 32)	-	-	4,343	757	1,204	773	7,077
Disposals	(106)	(34)	(1,252)	(47)	(294)	(362)	(2,095)
Exchange differences	(69)	(109)	(6,993)	(525)	(438)	(133)	(8,267)
At 31 December 2018	**9,360**	**2,292**	**148,146**	**11,614**	**8,679**	**5,157**	**185,248**
Accumulated depreciation							
At 1 January 2017	642	258	20,146	2,200	1,589	481	25,316
Charge for the year	959	209	17,662	1,342	1,352	575	22,099
Eliminated on disposal	-	-	(418)	(4)	(63)	(120)	(605)
Exchange differences	21	8	1,308	222	134	124	1,817
At 1 January 2018	1,622	475	38,698	3,760	3,012	1,060	48,627
Charge for the year	1,571	292	23,786	1,615	1,726	1,663	30,653
Eliminated on disposal	(106)	(20)	(1,209)	(42)	(120)	(222)	(1,719)
Exchange differences	(42)	(32)	(2,438)	(262)	(205)	(54)	(3,033)
At 31 December 2018	3,045	715	58,837	5,071	4,413	2,447	74,528
Carrying amount							
At 31 December 2018	**6,315**	**1,577**	**89,309**	**6,543**	**4,266**	**2,710**	**110,720**
At 31 December 2017	4,252	1,176	71,573	5,123	3,191	1,490	86,805

No freehold property was held by the Group as at 31 December 2018 (2017: $nil). Additionally the Group's obligations under finance leases (see note 25) are secured by the lessors' title to the leased assets, which at 31 December 2018 had a carrying amount of $1,575,000 (2017: $746,000). The Group had no capital commitments at 31 December 2018 (2017: $nil).

18. Assets held for sale

During the year the Group sold its 50% interest in its sole joint venture, Aquaignis Technologies Private Limited.

Notes to the consolidated financial statements (continued)

19. Subsidiaries

The Group's subsidiary undertakings as at 31 December 2018 are listed below, including the name, country of incorporation and proportion of ownership interest.

Company name	Registered office	Principal activity	Class of shares	Ownership Interest Direct %	Ownership Interest Indirect %
Aguapura Aguaviva S.L	(a)	Distribution and service	Ordinary	-	100%
All Water Systems Limited	(b)	Distribution and service	Ordinary	-	100%
Andrew's Water Treatment Limited	(c)	Dormant	Ordinary	-	100%
Angel Springs Holdings Limited	(d)	Holding company	Ordinary	-	100%
Angel Springs Limited	(d)	Distribution and service	Ordinary	-	100%
Aqua Cure Limited	(c)	Distribution	Ordinary	-	100%
Aqua Cure (Scotland) Limited	(e)	Distribution and service	Ordinary	-	100%
Aqua Interiör I Laholm AB	(f)	Distribution and service	Ordinary	-	100%
Aqua Line ApS	(g)	Distribution and service	Ordinary	-	100%
Billi Financial Services Pty Ltd	(aa)	Finance	Ordinary	-	100%
Billi R&D Pty Ltd	(aa)	Product development	Ordinary	-	100%
Billi UK LLP	(z)	Distribution and service	N/a	-	100%
Cariad Cool Water Limited	(d)	Distribution and service	Ordinary	-	100%
Escowa AB	(h)	Distribution and service	Ordinary	-	100%
Fillongley Spring Water Limited	(i)	Bottling and distribution	Ordinary	-	100%
Fillongley Ventures Limited	(i)	Holding Company	Ordinary	-	100%
GLGB Limited	(ab)	Holding Company	Ordinary	-	100%
Interior Vatten Skane AB	(ae)	Distribution and service	Ordinary	-	100%
Lux Aqua Czech s.r.o.	(ac)	Distribution and service	Ordinary	-	100%
Lux Aqua Hungária Korlátolt Felelősségű Társaság	(ad)	Distribution and service	Ordinary	-	100%
Palmheath Investments Limited	(k)	Service company	Ordinary	-	100%
Pelican Technical Solutions Limited	(c)	Dormant	Ordinary	-	100%
Qingdao Waterlogic Manufacturing Co. Limited	(l)	Manufacturer	Ordinary	-	100%
Watercompany BV	(m)	Distribution and service	Ordinary	-	100%
Watercompany Home Products BV	(m)	Distribution and service	Ordinary	-	100%
Watercompany International BV	(m)	Holding company	Ordinary	-	100%
Waterfirst Queensland Pty Ltd	(n)	Dormant	Ordinary	-	100%
Waterlogic Americas LLC	(o)	Distribution and service	Preferred/ Ordinary	-	100%
Waterlogic Australia Holdings Pty Limited	(n)	Holding company	Ordinary	-	100%
Waterlogic Australia Pty Limited	(n)	Distribution and service	Ordinary	-	100%
Waterlogic Canada Inc	(af)	Distribution and service	Ordinary	-	100%

19. Subsidiaries (continued)

Company name	Registered office	Principal activity	Class of shares	Ownership interest Direct %	Ownership interest Indirect %
Waterlogic Commercial Products LLC	(o)	Distribution	Ordinary	-	100%
Waterlogic Finance Limited	(p)	Finance	Ordinary	-	100%
Waterlogic Finance 2 Limited	(p)	Finance	Ordinary	-	100%
Waterlogic France SAS	(j)	Distribution and service	Ordinary	-	100%
Waterlogic GmbH	(q)	Distribution, service and holding company	Ordinary	-	100%
Waterlogic Holding AB	(r)	Holding company	Ordinary	-	100%
Waterlogic Holdings GmbH	(s)	Holding company	Ordinary	-	100%
Waterlogic Holdings	(p)	Holding company	Ordinary	100%	-
Waterlogic International Limited	(t)	Holding company	Ordinary	-	100%
Waterlogic Limited	(u)	Holding company	Ordinary	-	100%
Waterlogic Norge AS	(v)	Distribution and service	Ordinary	-	100%
Waterlogic Sverige AB	(r)	Distribution and service	Ordinary	-	100%
Waterlogic UK Limited	(d)	Holding company	Ordinary	-	100%
Waterlogic USA Finance Inc	(w)	Finance	Ordinary	-	100%
Waterlogic USA Holdings Inc	(x)	Holding company	Ordinary	-	100%
Waterlogic USA Inc	(x)	Holding and management service company	Ordinary	-	100%
WLI Trading Limited	(y)	Distribution	Ordinary	-	100%
WLI (UK) Limited	(p)	Service company	Ordinary	-	100%

(a) Calle Medea 4, 1º B 28037, Madrid, Spain
(b) Unit C1, Merrywell Business Park, Ballymount Road Lower, Dublin 12
(c) Aquacure House, Hall Street, Southport, Merseyside, PR9 0SE, United Kingdom
(d) Angel House, Shaw Road, Wolverhampton, WV10 9LE, United Kingdom
(e) Lawgrove Studio, Lawgrove Place, Inveralmond Industrial Estate, Perth, Perthshire, PH1 3XQ, United Kingdom
(f) Industrigatan 29, 312 34 Laholm, Sweden
(g) Langebjergvanget 6, 4000 Roskilde, Norway
(h) Bergkällavägen 30, 192 79, Sollentuna, Sweden
(i) Tamworth Road, Fillongley, Coventry, CV7 8DZ, United Kingdom
(j) 8 Rue de Commandant d'Estienne d'Orves, Parc d'Activités des Chanteraines, 92390 Villeneuve La Garenne, France
(k) PO Box 362, Road Town, Tortola, VG1110 British Virgin Islands
(l) No.2, Hongxiang Three Road, Jinling Industrial Zone, Chengyang District, Qingdao, China
(m) De Gorzen 21, 4731 TV Oudenbosch, Netherlands
(n) 37 Sundercombe Street, Osborne Park, WA6017 Australia
(o) Capitol Services Inc, 1675 S State St Ste B, Dover, DE 19901 United States of America
(p) 1 Grenfell Road, Maidenhead, Berkshire, SL6 1HN, United Kingdom
(q) Eichenweg 8, 74321, Bietigheim-Bissengen, Germany
(r) Von Utfallsgatan 16 c, 415 05 Goteberg, Sweden
(s) Kleinsachsenheimer Str. 26, 74321 Bietigheim-Bissingen, Germany
(t) 308 East Bay Street, 4th floor, PO Box N7768, Nassau, The Bahamas
(u) 22 Grenville Street, St Helier, Jersey JE4 8PX Channel Islands
(v) Trollåsveien 34-36, 1414, Trollåsen, Norway
(w) 11710 Stonegate Circle, Omaha, NE 68164 United States of America
(x) 77 McCullough Drive, Ste. 9, Newcastle, DE 19720 United States of America
(y) Second Floor, Beacon Court, Sandyford, Dublin 18, Ireland
(z) Synergy House, Fakenham Road, Morton on the Hill, Norwich NR9 5SP, United Kingdom
(aa) 42 Lucknow Crescent, Thomastown, Victoria 3074, Australia
(ab) C/o Montacs Regus House, Herons Way, Chester Business Park, Chester, Cheshire, CH4 9QR, United Kingdom
(ac) Ke Slivenci 48, Lochkov, 154 00 Prague 5, Czech Republic
(ad) 1145 Budapest, Jávor utca 5/A., Hungary
(ae) AB Moranvagen 9, 18 640 Vallentuna, Sweden
(af) 4580 Eastgate Parkway, Unit 3, Mississauga, ON L4W 4KA, Canada

19. Subsidiaries (continued)

All subsidiaries have co-terminus accounting periods at 31 December 2018.

Parent company guarantees

The following subsidiary companies are exempt from the requirements under the Companies Act 2006 relating to the audit of financial statements under section 479A of that Act. Waterlogic Group Holdings Limited has provided a parent company guarantee over the liabilities of each of these subsidiary companies, pursuant to section 479C of the Companies Act 2006.

Company name	Company number
Andrew's Water Treatment Limited	06772267
Angel Springs Holdings Limited	07617386
Aqua Cure Limited	06330499
Aqua Cure (Scotland) Limited	SC232827
Billi UK LLP	OC381177
Cariad Cool Water Limited	04186182
Fillongley Spring Water Limited	07555626
Fillongley Ventures Limited	07680170
GLGB Limited	08510820
Waterlogic Finance Limited	09899276
Waterlogic Finance 2 Limited	11415204
Waterlogic UK Limited	04832980
WLI (UK) Limited	04051205

20. Inventories

	2018 $'000	2017 $'000
POU machines and spares	**32,515**	23,686
Consumables	**2,418**	2,014
	34,933	25,700

21. Trade and other receivables

	2018 $'000	2017 Restated $'000
Amounts due from customers	**58,387**	44,506
Allowance for expected credit losses	**(3,968)**	(3,790)
	54,419	40,716
Other debtors and prepayments	**9,230**	16,703
	63,649	57,419
Contract costs: sales commissions capitalised	**1,904**	1,224
Trade receivables, other receivables and contract costs	**65,553**	58,643

Trade receivables are valued at amortised cost. The average credit period offered on sales of goods during 2018 was 26 days (2017: 22 days). This reflects variations in credit terms offered by entities operating in different countries.

Interest or fixed fee penalties for late payment are charged by some Group entities at rates applicable in the corresponding countries. Some jurisdictions operate a legally enforceable late payment penalty where applicable. The interest is typically charged monthly and ranges between 0.1 and 1.3 per cent per month (2017: between 0.1 and 1.3 per cent per month) on the outstanding balance. In some countries a fixed fee may be charged and this ranges between $5 and $46 (2017: between $12 and $48).

21. Trade and other receivables (continued)

Allowances for expected credit losses are recognised against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience. Specific counterparty risk is also considered where an analysis of the counterparty's current and future financial position indicates a change in credit risk.

Trade receivables include amounts which are past due at the year-end but against which the Group has not recognised an allowance for expected credit losses in full. The Group retains title to all equipment supplied under rental agreements.

Trade receivables net of allowance for doubtful debts

	2018 $'000	2017 $'000
Gross value of unimpaired receivables	**54,304**	40,038
Gross value of impaired receivables	**4,083**	4,468
Allowance for expected credit losses/allowance for doubtful debts	**(3,968)**	(3,790)
	54,419	40,716

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Ageing of receivables	2018			2017		
	Unimpaired $'000	Impaired $'000	Total $'000	Unimpaired $'000	Impaired $'000	Total $'000
Not overdue	**28,239**	**545**	**28,784**	17,958	4	17,962
Overdue between 0 to 30 days	**13,236**	**407**	**13,643**	10,729	6	10,735
Overdue between 31 to 60 days	**4,473**	**303**	**4,776**	4,723	32	4,755
Overdue between 61 to 90 days	**2,812**	**143**	**2,955**	2,582	22	2,604
Overdue more than 90 days	**5,544**	**2,685**	**8,229**	4,046	4,404	8,450
	54,304	**4,083**	**58,387**	40,038	4,468	44,506

The average age of unimpaired trade receivables is 29 days (2017: 32 days) and for impaired receivables is 220 days (2017: 328 days).

Movement in the allowance for expected credit losses	2018 $'000	2017 $'000
At 1 January – calculated under IAS 39	**(3,790)**	(3,383)
Amounts restated through opening retained earnings	**-**	-
Balance at the beginning of the period – calculated under IFRS 9	**(3,790)**	(3,383)
On acquisition of direct and indirect subsidiaries	**(290)**	(144)
Impairment losses recognised	**(2,094)**	(1,388)
Amounts written off during the year as uncollectible	**1,256**	1,039
Reversal of impairment losses recognised on trade receivables	**832**	323
Amounts recovered during the year	**(89)**	(43)
Other movements	**101**	(18)
Foreign exchange translation gains and losses	**106**	(176)
Balance at the end of the period	**(3,968)**	(3,790)

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the relevant year end. The concentration of credit risk is limited due to the customer base being large and diverse in terms of industry sector.

There are no expected credit losses in respect of (i) financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets; or (ii) financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired).

The Group generally retains a security interest in equipment as collateral for the amounts due and is contractually entitled to recover equipment supplied under rental agreements in the event of default by rental customers.

21. Trade and other receivables (continued)

Contract costs: sales commissions capitalised

Contract costs comprise sales commissions earned by employees in relation to new and renewed service contracts with customers and are capitalised and amortised over the estimated useful life of the contract. The table below shows the movements during the period.

	Total $'000
At 1 January 2017	743
Commissions capitalised in the year	732
Amortisation	(263)
Exchange difference	12
At 31 December 2017	1,224
Commissions capitalised in the year	1,139
Amortisation	(451)
Exchange difference	(8)
At 31 December 2018	**1,904**

Of the carrying value at 31 December 2018, an amount of $523,000 is expected to be amortised over the next twelve months. The remainder will be amortised over a period of between one and ten years.

22. Borrowings

	2018 $'000	2017 $'000
Secured borrowing at amortised cost		
Bank loans (net of unamortised finance fees)	**482,813**	340,275
Obligations under finance leases (note 25)	**1,679**	746
Unsecured borrowing at amortised cost		
Accrued interest due to parent undertaking	**73,365**	54,706
Loan from parent undertaking	**206,352**	216,735
	764,209	612,462
Amounts due for settlement within twelve months		
Bank borrowings	-	5,379
Obligations under finance leases (note 25)	**439**	283
	439	5,662
Amounts due for settlement after twelve months		
Bank borrowings (net of unamortised finance fees)	**482,813**	334,896
Accrued interest due to parent undertaking	**73,365**	54,706
Loan from parent undertaking	**206,352**	216,735
Bank and other borrowings due for settlement after twelve months	**762,530**	606,337
Obligations under finance leases	**1,240**	463
Amounts due for settlement after twelve months	**763,770**	606,800
Total borrowings	**764,209**	612,462

Analysis of borrowings by currency:

31 December 2018	US Dollars $'000	Australian Dollars $'000	Canadian Dollars $'000	Euros $'000	GBP $'000	Total $'000
Bank loans (net of unamortised finance fees)	-	**60,855**	-	**312,212**	**109,746**	**482,813**
Accrued interest due to parent undertaking	-	-	-	**73,365**	-	**73,365**
Loan from parent undertaking	-	-	-	**206,352**	-	**206,352**
Obligations under finance leases (note 25)	**1,490**	-	**40**	**149**	-	**1,679**
	1,490	**60,855**	**40**	**592,078**	**109,746**	**764,209**

Notes to the consolidated financial statements (continued)

22. Borrowings (continued)

31 December 2017	US Dollars $'000	Australian Dollars $'000	Norwegian Kroner $'000	Euros $'000	GBP $'000	Total $'000
Bank loans (net of unamortised finance fees)	41,031	40,279	6,517	51,232	201,216	340,275
Accrued interest due to parent undertaking	-	-	-	54,706	-	54,706
Loan from parent undertaking	-	-	-	216,735	-	216,735
Obligations under finance leases (note 25)	534	-	-	212	-	746
	41,565	40,279	6,517	322,885	201,216	612,462

The other principal features of the Group's borrowings are as follows:

Fees charged on facilities are assessed on an annual basis with the majority of fees being paid on a quarterly or calendar year basis. Any fees are included in the determination of the effective interest rate and are charged to the Income Statement over the life of the facility, except where the Directors judge that the facility is unlikely to be used at which time the unamortised fees are immediately expensed through the Income Statement.

The loan from the parent undertaking bears interest at fixed rates of between 10.0% and 10.2% and falls due for repayment in 2044.

At 31 December 2018 the Group had the following principal bank loans:

		Maturity date	Repayable	Rate	**Carrying value 31 December 2018 $'000**
Facility B EUR (TLB1)	(i)	14 March 2025	In full on maturity	EURIBOR + 3.75%	**234,621**
Facility B EUR (UF)	(ii)	14 March 2025	In full on maturity	EURIBOR + 3.75%	**82,403**
Facility B GBP (TLB2)	(iii)	14 March 2025	In full on maturity	LIBOR + 4.0%	**111,437**
Facility B AUD (TLB3A)	(iv)	14 March 2025	In full on maturity	BBSY + 4.5%	**4,232**
Facility B AUD (TLB3B)	(v)	14 March 2025	In full on maturity	BBSY + 4.5%	**57,560**
					490,253
Accrued commitment fees					**21**
Unamortised finance fees					**(7,461)**
					482,813

On 14 March 2018, the Group refinanced its existing Senior Facilities Agreement ("SFA") to reduce the effective interest rates paid by the Group and to give additional capacity for accretive acquisition activity. A new Term Loan B ("TLB") was made available and drawn immediately, with the funds used to settle all existing facilities, with the balance being available to fund the acquisition of Billi Australia Pty Limited and GLGB Limited, and leave cash on the balance sheet. See below for details of funding:

(i) A Euro denominated loan ('TLB1') which is held by Waterlogic Holdings GmbH and Waterlogic Finance Ltd (as borrowers) was drawn on 14 March 2018. The loan is repayable in full on the date of maturity, 14 March 2025. The Group hedges this loan for interest rate risk using an interest rate cap.

(ii) On 31 October 2018 a Euro denominated Uncommitted Facility Notice (a "UF") was drawn by Waterlogic Finance Limited (as borrower), which then became fungible with the TLB1. The loan is repayable in full on the date of maturity, 14 March 2025.

(iii) A Pounds Sterling denominated loan ('TLB2') which is held by Waterlogic Finance Ltd (as borrower) was drawn on 14 March 2018. This loan is repayable in full on the date of maturity, 14 March 2025. The Group hedges a portion of this loan for interest rate risk using an interest rate swap, exchanging variable rate interest for fixed rate interest. A further portion of the loan is hedged using an interest rate cap.

(iv) An Australian Dollar denominated term loan ('TLB3A') which is held by Waterlogic Finance Ltd (as borrower) was drawn on 14 March 2018. This loan is repayable in full on the date of maturity, 14 March 2025. The Group hedges this loan for interest rate risk using an interest rate cap.

(v) An Australian Dollar denominated term loan ('TLB3B') which is held by Waterlogic Australia Holdings Pty Ltd (as borrower) was drawn on 14 March 2018. This loan is repayable in full on the date of maturity, 14 March 2025. The Group hedges this loan for interest rate risk using an interest rate cap.

Notes to the consolidated financial statements (continued)

22. Borrowings (continued)

The Group had the following principal bank loans at 31 December 2017:

	Maturity date	Repayable	Rate	Carrying value 31 December 2017 $'000
Facility B	8 January 2022	In full on maturity	LIBOR + 4.5%	20,881
	8 January 2022	In full on maturity	BBSW + 4.5%	32,490
	8 January 2022	In full on maturity	EURIBOR + 4.5%	47,938
	8 January 2022	In full on maturity	NIBOR + 4.5%	3,474
	8 January 2022	In full on maturity	BBSW + 4.5%	7,789
	8 January 2022	In full on maturity	NIBOR + 4.5%	3,043
Acquisition Facility	8 January 2022	In full on maturity	LIBOR + 4.5%	38,000
	8 January 2022	In full on maturity	LIBOR + 4.5%	5,254
Facility C	12 January 2023	In full on maturity	LIBOR + 5.5%	174,778
Revolving Credit Facility	31 July 2021	In full on maturity	LIBOR + 4.0%	3,031
	31 July 2021	In full on maturity	LIBOR + 4.0%	5,439
Incremental Facility	12 January 2023	In full on maturity	EURIBOR + 4.5%	3,294
	12 January 2023	In full on maturity	LIBOR + 4.5%	8,704
				354,115
Unamortised finance fees				(13,840)
				340,275

At 31 December 2018 the bank loans were guaranteed by various entities within the Group, including the Company, Waterlogic Group Holdings Limited The bank loans at 31 December 2018 were subject to a single covenant relating to Group leveraging.

Unamortised finance fees relate to amounts capitalised that were payable to professional advisers and lenders in relation to the loan facilities taken out during the period. These fees are being amortised on a straight line basis throughout the loan period.

Finance lease liabilities are secured by the assets leased. The lease agreements are on fixed interest rate terms with repayment periods not exceeding five years. Further details are shown in note 25. The weighted average effective interest rates paid during the period:

	2018 %	2017 %
Bank loans	**4.97**	5.56
Related party loans	**10.20**	10.14

There were no undrawn overdraft facilities at the period end. There have been no breaches of loan agreements during the period covered by the Financial Statements.

23. Derivative financial instruments

	Current		Non-current	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Derivative financial assets that are designated and effective as hedging instruments carried at fair value:				
– interest rate swaps	**14**	-	-	-
– foreign currency forward contracts	**30**	-	-	-
– interest rate cap	-	-	**333**	-
	44	-	**333**	-
Derivative financial liabilities that are designated and effective as hedging instruments carried at fair value:				
– interest rate swaps	-	(79)	-	(221)
– foreign currency forward contracts	**(14)**	-	-	-
	(14)	(79)	-	(221)

In March 2018 four of the interest rate swap agreements in relation to the previous TLB loan were terminated and another was retained. The swap agreement in place at the year end on the new facilities has a notional principal amount of $55,264,041 (2017: $166,236,000) and an average fixed rate interest payable of 0.81% (2017: 0.76%), net of margin. The swap has been designated as a cash flow hedge in accordance with IFRS 9. The purpose of the hedge was to convert a proportion of the variable interest borrowing into fixed interest borrowing.

In July 2018, the Group entered into interest rate cap arrangements in relation to the new TLB facilities. The interest rate caps have an average rate of 0.81%, net of margin, and have a combined notional principal amount of $293,830,181. A premium of $684,077 was paid for the caps in July 2018. The caps have been designated as a cash flow hedge in accordance with IFRS 9. The purpose of the hedge was to impose a limit on the exposure on the variable interest borrowings.

During the year, the Group entered into foreign currency forward contracts ('forwards') to sell USD and buy RMB. The average rate on the forwards for the year was RMB6.86:$1. The forwards have been designated as a cash flow hedge in accordance with IFRS 9. The purpose of the forwards was to hedge a portion of the Group's exposure to RMB inventory purchases.

Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and the hedging instrument.

The Group does not hedge 100% of its RMB purchases, and therefore the hedged item is identified as a proportion of the purchases up to the notional amount of the foreign currency forwards. In the foreign currency forwards the hedged item is modelled by a "hypothetical derivative" to calculate the change in fair value of the hedged item. The hypothetical derivative is determined at inception such that it has the same principal terms as the designated hedged item. The forward rate of the hypothetical derivative is based on prevailing market forward rates.

Sources of ineffectiveness in hedges of foreign currency purchases may arise if the timing of the forecast transaction changes from that which was originally estimated, a change in the timing of the occurrence of the payment being hedged or if there are changes in the credit risk of both counterparties.

The Group enters into interest rate swaps and caps that have similar critical terms to those of the hedged item. The hedged item is modelled by a "hypothetical derivative" to calculate the change in fair value of the hedged item. The hypothetical derivative is determined at inception such that it has the same principal terms as the designated hedged cash flows. The Group does not hedge 100% of its loans, and therefore the hedged item is identified as a proportion of the outstanding loan up to the notional amount of the swap or cap.

Sources of hedge ineffectiveness on the swap and caps may include credit risk of both counterparties under the cap, a change in the timing of the occurrence of the cash flows being hedged and the hedged transactions being no longer highly probable, which may result in the notional value of the hedging instrument being larger than the actual expected expense.

The cash flow hedges have been designated as effective since the date of inception. An amount of $298,204 (2017: $98,000) has been recognised in the income statement relating to ineffectiveness on the cash flow hedges in place at the year end as well as on the interest rate swaps which matured in March 2018.

Further details of derivative financial instruments are provided in note 36.

24. Deferred tax

The following are the major deferred tax (liabilities) and assets recognised by the Group:

	Accelerated tax depreciation $'000	Intangibles recognised on acquisition $'000	Other temporary differences $'000	Unrelieved tax losses $'000	Total $'000
At 1 January 2017 – as restated	176	(39,372)	2,822	2,445	(33,929)
Arising on acquisitions	7	(1,439)	-	-	(1,432)
Credit/(debit) to profit and loss	329	6,844	(858)	444	6,759
Debit to other comprehensive income	-	-	(142)	-	(142)
Foreign exchange gains/(losses)	16	(3,484)	289	209	(2,970)
At 1 January 2018	528	(37,451)	2,111	3,098	(31,714)
Arising on acquisitions	(96)	(11,793)	823	-	(11,066)
Credit/(debit) to profit and loss	(8,507)	5,352	2,612	5,763	5,220
Debit to other comprehensive income	-	-	16	-	16
Foreign exchange gains/(losses)	(18)	1,999	(120)	(125)	1,736
At 31 December 2018	**(8,093)**	**(41,893)**	**5,442**	**8,736**	**(35,808)**

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

	2018 $'000	2017 Restated $'000
Analysed as:		
Deferred tax liabilities	**(35,808)**	(31,714)
Deferred tax liability – net	**(35,808)**	(31,714)

In addition to the above, at 31 December 2018 the Group had unrecognised deferred tax assets arising in relation to unused tax losses of $17,875,000 (2017: $18,740,000) and other timing differences of $34,000 (2017: $216,000) available for offset against future profits. Tax losses of $534,000 expire in 2021, $492,000 in 2022 and $343,000 in 2023. All other losses are available for use indefinitely. No deferred tax asset has been recognised in respect of these losses as it is not considered probable that there will be future taxable profits available in the relevant jurisdictions in the near future.

No deferred tax liability is recognised on unremitted earnings of overseas subsidiaries as the Group is able to control the timings of the reversal of these temporary differences.

25. Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Minimum lease payments				
Within one year	**593**	316	**439**	283
In the second to fifth years inclusive	**1,243**	504	**1,240**	463
	1,836	820	**1,679**	746
Less: future finance charges	**(157)**	(74)		
Present value of lease obligations	**1,679**	746		

	2018 $'000	2017 $'000
Analysed as:		
Amounts due for settlement within twelve months (shown under current liabilities)	**439**	283
Amounts due for settlement after twelve months	**1,240**	463
	1,679	746

It is the Group's policy to lease certain of its equipment under finance leases. The average remaining lease term at 31 December 2018 was 2.3 years (2017: 2.2 years). For the year ended 31 December 2018, the average effective interest rate was 6.2 per cent (2017: 7.5 per cent). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

25. Obligations under finance leases (continued)

The fair value of the Group's lease obligations is approximately equal to their carrying amount. The Group's obligations under finance leases are secured by the lessors' rights over the leased assets disclosed in note 17.

26. Trade and other payables

	2018 $'000	2017 $'000
Trade creditors	**19,240**	15,624
Accruals	**9,589**	9,116
Other creditors	**20,979**	16,130
	49,808	40,870

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 111 days (2017: 110 days). For most suppliers no interest is charged on the trade payables for the first 60 days from the date of the invoice. Thereafter, interest is charged on the outstanding balances at various interest rates. The Group policy is to ensure that payables are paid within the pre-agreed credit terms and to avoid incurring penalties and/or interest on late payments. Other creditors include sales taxes, property taxes, social security, employment taxes due to local tax authorities and cash rebates due to customers.

The Directors consider that the carrying amount of trade payables approximates their fair value.

27. Provisions

	Warranty provision $'000	Statutory retirement scheme $'000	Dilapidation provision $'000	Environmental provision $'000	Other $'000	Total $'000
At 1 January 2017	593	110	558	363	-	1,624
Change in provision	(144)	87	(102)	(4)	30	(133)
Exchange difference	22	17	53	34	-	126
At 31 December 2017	471	214	509	393	30	1,617
Provisions in acquired entities	1,508	-	-	-	-	1,508
Change in provision	947	(4)	90	-	(28)	1,005
Exchange difference	(118)	(10)	(33)	(22)	(1)	(184)
At 31 December 2018	**2,808**	**200**	**566**	**371**	**1**	**3,946**
Current	2,721	-	-	-	-	2,721
Non-current	87	200	566	371	1	1,225
At 31 December 2018	**2,808**	**200**	**566**	**371**	**1**	**3,946**

The provision for warranty claims represents the Directors' best estimate for the future outflow of economic benefits required to meet Group obligations for warranty claims. These estimates also reflect local legislative regulations on the sale of goods. The warranty liability normally extends up to twelve months and the Directors believe the carrying values shown above approximate their fair value. The claim provision has been based on historical warranty trends, which may vary due to the use of new materials, changes in manufacturing processes or other developments that affect product quality.

Employees of the Group's subsidiary in France are entitled to a state-managed retirement benefit scheme operated by the government. The subsidiary is required to provide a specified percentage of payroll costs which becomes payable where an employee reaches state retirement age if, and only if, the employee is in the employ of Waterlogic France at the qualifying date. The only obligation on the subsidiary, with respect to the retirement benefit scheme, is to make the specified contributions at that time. For this reason a provision is calculated at each year end based on the number of employed staff, their age and years of service and a probability that they will be employed by the subsidiary at the qualifying date. The qualifying payments are payable to the state by the subsidiary at the level specified under the terms of the scheme. The terms include an escalating entitlement dependent on age and years of service completed. The period of utilisation of the statutory retirement provision is dependent in part on the life expectancy of the retirees and cannot be reliably estimated.

The dilapidation provision relates to contractual obligations in respect of certain leasehold properties. The provision is expected to be utilised between two and five years.

The environmental provision relates to the Group's obligation under the Waste Electrical and Electronic Equipment ("WEEE") directive to provide for the decommissioning costs of disposal of the Group's water coolers in issue in EU countries at the balance sheet date. The environmental provision is expected to be utilised over a period from one to ten years.

28. Issued share capital

	2018 $'000	2017 $'000
Issued and fully paid Ordinary shares of £1 each		
At start of year	**57,722**	51,590
Shares issued in the year	**709**	6,132
At end of year	**58,431**	57,722

Issue of new shares

On 3 October 2018 546,155 Ordinary shares were issued at par. No share premium arose in relation to this transaction. No further share transactions took place during 2018.

	2018 Number	2017 Number
Ordinary Shares in issue at par value	**40,360,389**	39,814,234

	Number
Share capital in issue at 1 January 2017	35,229,663
Shares issued in the year	4,584,571
Share capital in issue at 1 January 2018	39,814,234
Shares issued in the year	546,155
Share capital in issue at 31 December 2018	**40,360,389**

The Company has one class of Ordinary Shares, which carry no right to fixed income. There is no limit on the number of shares that the Company can issue.

29. Hedging and translation reserves

	Other capital reserves	Hedging reserve	Translation reserve - restated
	$'000	$'000	$'000
Balance at 1 January 2017 – as previously reported	152	(811)	31,238
Prior period restatement (note 31)	-	-	(40)
Balance at 1 January 2017 – restated	152	(811)	31,198
Exchange differences on translating the net assets of foreign operations	-	-	(16,725)
Gain recognised on cash flow hedges – interest rate swaps (net of tax)	-	530	-
Balance at 1 January 2018	152	(281)	14,473
Exchange differences on translating the net assets of foreign operations	-	-	12,826
Gain recognised on cash flow hedges – interest rate swaps (net of tax)	-	184	-
Balance at 31 December 2018	**152**	**(97)**	**27,299**

Other capital reserves

The other capital reserve was generated in 2015 on the buy-out of a minority interest held in Aqua Cure Limited.

Hedging reserve

The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit and loss only when the hedged transaction impacts the profit and loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

Translation reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations, which relate to subsidiaries only, from their functional currency into the Group's presentation currency, being US Dollars, are recognised directly in the translation reserve.

No gains or losses were transferred from equity into profit and loss during the period.

30. Retained earnings

	$'000
Balance at 1 January 2017 - as previously reported	(92,760)
Prior period adjustment (note 31)	2,858
Balance at 1 January 2017 - as restated	(89,902)
Net loss for the year – as restated	(37,913)
Balance at 1 January 2018 – as restated	(127,815)
Net loss for the year	(55,953)
Balance at 31 December 2018	**(183,768)**

31. Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the group's financial statements. As a result of the Group's review of its revenue recognition under the requirements of IFRS 15 certain sales commissions relating to rental and service sales were identified as being appropriate for capitalisation under IAS 17 Operating leases. The adjustments relating to IAS 17 for prior years are set out in the table below, along with those relating to IFRS 15. No adjustments were required as a result of the Group's adoption of IFRS 9.

31 (a). Impact on the financial statements

As a result of the changes in the entity's accounting policies, prior year financial statements had to be restated. The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

	31 December 2017 as originally reported $'000	IFRS 15 $'000	IAS 17 $000	31 December 2017 Restated $000
ASSETS				
Non-current assets				
Property, plant and equipment	82,553	-	4,252	86,805
Total non-current assets	546,687	-	4,252	550,939
Current assets				
Contract costs	-	1,224	-	1,224
Total current assets	104,983	1,224	-	106,207
Total assets	651,670	1,224	4,252	657,146
EQUITY AND LIABILITIES				
Capital and reserves				
Translation reserve	14,471	-	2	14,473
Retained earnings	(132,445)	1,036	3,594	(127,815)
Equity attributable to Shareholders	(60,381)	1,036	3,596	(55,749)
Total equity	(60,381)	1,036	3,596	(55,749)
Non-current liabilities				
Deferred tax liability	30,870	188	656	31,714
Total non-current liabilities	639,015	188	656	639,859
Total liabilities	712,051	188	656	712,895
Total equity and liabilities	651,670	1,224	4,252	657,146

Notes to the consolidated financial statements (continued)

31. Changes in accounting policies (continued)

31(a). Impact on the financial statements (continued)

	31 December 2016 as originally reported \$000	IFRS 15 \$000	IAS 17 \$'000	31 December 2016 Restated \$000
ASSETS				
Non-current assets				
Property, plant and equipment	65,300	-	2,584	67,884
Total non-current assets	502,632	-	2,584	505,216
Contract costs	-	743	-	743
Total current assets	86,279	743	-	87,022
Total assets	588,911	743	2,584	592,238
EQUITY AND LIABILITIES				
Capital and reserves				
Translation reserve	31,238	(9)	(31)	31,198
Retained earnings	(92,760)	638	2,220	(89,902)
Equity attributable to Shareholders	(10,591)	629	2,189	(7,773)
Total equity	(10,591)	629	2,189	(7,773)
Non-current liabilities				
Deferred tax liability	33,420	114	395	33,929
Total non-current liabilities	537,095	114	395	537,604
Total liabilities	599,502	114	395	600,011
Total equity and liabilities	588,911	743	2,584	592,238

31. Changes in accounting policies (continued)

31(a). Impact on the financial statements (continued)

Statement of profit or loss and other comprehensive income (extract) 2017	As originally reported $000	IFRS 15 $000	IAS 17 $'000	Restated $'000
Continuing operations				
Cost of sales	(104,295)	(265)	(959)	(105,519)
Gross profit	148,085	(265)	(959)	146,861
Administrative expenses	(138,948)	737	2,594	(135,617)
Operating (loss)/profit	(950)	472	1,635	1,157
Adjusted operating profit	33,168	472	1,635	35,275
Loss before tax	(44,244)	472	1,635	(42,137)
Income tax credit	4,559	(74)	(261)	4,224
Loss for the year	(39,685)	398	1,374	(37,913)
Loss attributable to:				
Owners of the Company	(39,685)	398	1,374	(37,913)
	(39,685)	398	1,374	(37,913)

The impact on cost of sales reflected in the above table relates to the depreciation of capitalised sales commissions.

31(b). 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 changes in accounting policies but did not result in any material adjustments to the amounts recognised in the financial statements. Accordingly, the prior period figures have not been restated in this regard.

The group has two types of financial assets that are subject to IFRS 9's new expected credit loss model:

- trade receivables for sale of inventory and from the provision of services
- contract costs relating to service and maintenance contracts

The group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the group's retained earnings and equity was immaterial. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade and other receivables

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract costs. This did not result in a material increase or decrease of the loss allowance on 1 January 2018.

31. Changes in accounting policies (continued)

31(c). IAS 17 Leases

Under IAS 17 initial direct costs incurred by lessors of obtaining an operating lease should be added to the carrying amount of the underlying asset. Up to 31 December 2017, detailed information was not available to enable the Group to identify and separate the commissions relating to rental contracts from those relating to service contracts and therefore all commissions were expensed to profit and loss. As a result of the work carried out for the IFRS 15 revenue unbundling requirement an effective method was identified to enable rental and service commissions to be fully separated. This method allows the Group to capitalise rental commissions in accordance with IAS 17.

31(d). IFRS 15 Revenue from Contracts with Customers

The group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS 15, the group has adopted the new rules retrospectively and has restated comparatives for the 2017 financial year. In summary, the following 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).

The IFRS 15 requirement to assess contracts and identify performance obligations has not resulted in a significant change in revenue recognition. However, following the Group's review of the impact of IFRS 15, a prior period adjustment was made in relation to the capitalisation of service commissions. The same review process also identified a requirement to capitalise certain sales commissions relating to rental sales under the requirements of IAS 17. The impact of these two elements is set out below.

	Notes	IAS 18 carrying amount 31 Dec 2017 $'000	IFRS 15 $'000	IAS 17 $'000	Restated carrying amounts 31 Dec 2017 $'000
Property, Plant and Equipment: Rental commissions	(i)	-	-	4,252	4,252
Contract costs	(ii)	-	1,224	-	1,224
Deferred tax liabilities	(iii)	(30,870)	(188)	(656)	(31,714)

	Notes	IAS 18 carrying amount 31 Dec 2016 $'000	IFRS 15 $'000	IAS 17 $'000	Restated carrying amounts 31 Dec 2016 $'000
Property, Plant and Equipment: Rental commissions	(i)	-	-	2,584	2,584
Contract costs	(ii)	-	743	-	743
Deferred tax liabilities	(iii)	(33,420)	(114)	(395)	(33,929)

The impact on the group's retained earnings as at 31 December 2016 is as follows:

	Notes	$'000
Retained earnings – as previously reported		(92,760)
Recognition of asset for costs to fulfil a contract	(i),(ii)	3,327
Increase in deferred tax liabilities	(iii)	(509)
Foreign exchange movements		40
Adjustment to retained earnings from adoption of IFRS 15		2,858
Opening retained earnings 1 January 2017 - IFRS 15		(89,902)

Notes

(i) As noted above, the Group's review process in relation to the adoption of IFRS 15 also identified a requirement to capitalise certain sales commissions relating to rental sales under the requirements of IAS 17. These commissions are included within property, plant and equipment and are depreciated over the period of the underlying rental contract.

(ii) In adopting IFRS 15 the Group identified certain sales commissions which related to service contracts which exceeded 12 months in duration. Such commissions have, where appropriate, been capitalised as contract costs and are being amortised through profit and loss over the period of the contract. No changes to the timing of revenue recognition have been identified as necessary through the IFRS 15 requirement to assess contracts and identify performance obligations. It has been identified that performance obligations exist in certain contracts and these have been recognised in the Group's analysis of revenue (note 5).

(iii) The deferred tax impact of the prior period restatement in relation to IFRS 15 and IAS 17 has been calculated using the relevant tax rate for the territory in which the restatement arises.

Notes to the consolidated financial statements (continued)

32. Acquisitions

Billi Australia Pty Ltd and Billi UK LLP

On 27 April 2018 the Group acquired 100% of the shares of Billi Australia Pty Ltd and a 100% partnership interest in Billi UK LLP (together "Billi") for total consideration of $56.4 million. Billi is a leading designer, manufacturer and distributor of boiling, chilled and sparkling filtered drinking water Under-The-Sink (UTS) units in Australia and the UK. The acquisition provided the Group with the ability to move this capability in house and strengthen its position in the UTS water cooler market. The preliminary purchase price allocation is set out below.

	Preliminary fair value $'000
Net assets acquired:	
– property, plant and equipment	1,792
– trade receivables	7,543
– other monetary assets	5,713
– monetary liabilities assumed	(18,924)
– net deferred tax liability	(10,349)
– intangible assets recognised	37,991
Total net assets acquired	23,766
Goodwill recognised	32,594
	56,360
Satisfied by:	
– cash consideration	56,360
	56,360
Net cash flow on acquisition:	
Cash consideration	56,360
Less: cash acquired	(924)
	55,436

Goodwill is an intangible asset that represents that portion of the entire business value that cannot be attributed to other income producing business assets, tangible or intangible. One of the drivers of goodwill is the synergies available to the business combination post acquisition. None of the goodwill recognised of $32,594,000 is tax deductible. Of the trade receivable purchased of $7,543,000, the gross contractual amount receivable is $7,543,000.

Intangible assets of $37,991,000 have been recognised comprising brand value, ongoing customer relationships and other intangibles that existed at the date of acquisition and are being amortised over periods of between ten and twenty years. A deferred tax liability has been recognised in respect of the intangible assets. The amortisation charges of the intangible assets will not be deductible for tax purposes.

Acquisition-related costs of $2,136,000 have been expensed and are included in administrative expenses as incurred. Billi contributed $25,421,000 of revenue and $1,569,000 of operating profit to the Group's results for the period between the date of acquisition and the balance sheet date. Had the acquisition of Billi occurred on 1 January 2018, Group revenue would have been approximately $10,693,000 higher and Group operating profit would have been approximately $1,522,000 higher.

32. Acquisitions (continued)

Streamline Water Inc, Minnesota Water Inc and Water Engineering Technologies Inc

During the year the Group acquired the trade and certain assets of the following companies based in the USA.

Date of acquisition	Name of entity acquired	Total consideration	Description of business and territory
31 July 2018	Streamline Water Inc	$3.8 million	Provider of POU water systems, providing coffee beans and coffee consumables, based in Phoenix, Arizona and El Paso, Texas
28 September 2018	Minnesota Water Inc	$6.0 million	Provider of POU watercoolers in the Minneapolis-St Paul area
28 September 2018	Water Engineering Technologies Inc	$5.1 million	Provider of POU and bottled watercoolers in Pacific Northwest USA

The objective of the Streamline Water Inc acquisition was to gain market share in US geographical markets where Waterlogic US does not have a presence. The objective of the Minnesota Water Inc acquisition was to gain market share in that region by expanding the installed base and thereafter improving service density. The objective of the Water Engineering Technologies Inc acquisition was to gain market share in the Pacific North West region.

The preliminary purchase price allocation in total for the above entities is set out below.

	Preliminary fair value $'000
Net assets acquired:	
– property, plant and equipment	**1,988**
– trade receivables	**244**
– other monetary assets	**46**
– monetary liabilities assumed	**(274)**
– intangible assets recognised	**6,382**
Total net assets acquired	**8,386**
Goodwill recognised	**6,556**
	14,942
Satisfied by:	
– cash consideration	**14,942**
	14,942
Net cash flow on acquisition:	
Cash consideration	**14,942**
Less: cash acquired	**-**
	14,942

Goodwill is an intangible asset that represents that portion of the entire business value that cannot be attributed to other income producing business assets, tangible or intangible. One of the drivers of goodwill is the synergies available to the business combination post acquisition. None of the goodwill recognised of $6,556,000 is tax deductible. Of the trade receivable purchased of $244,000, the gross contractual amount receivable is $244,000.

Intangible assets of $6,382,000 have been recognised comprising brand value, ongoing customer relationships and other intangible assets that existed at the date of acquisition and are being amortised over a period of between five and ten years. A deferred tax liability has been recognised in respect of the intangible assets. The amortisation charges of the intangible assets will not be deductible for tax purposes.

Acquisition-related costs of $730,000 have been expensed and are included in administrative expenses as incurred. The three entities contributed $1,427,000 of revenue and $739,000 of operating profit to the Group's results for the period between the date of acquisition and the balance sheet date. Had the acquisition of the three entities occurred on 1 January 2018, Group revenue would have been approximately $3,653,000 higher and Group operating profit would have been approximately $1,080,000 higher.

32. Acquisitions (continued)

Cariad Cool Water Limited and Water Coolers Limited

On 31 October 2018 the Group acquired the trade and certain assets of Watercoolers Limited ('Watercoolers') and on 18 December 2018 the Group acquired 100% of the shares of Cariad Cool Water Limited ('Cariad'). The combined consideration paid for the two entities was $7.8 million. Both companies are leading providers of POU and bottled water coolers in the UK. The objective of the Watercoolers acquisition was to enhance the Group's footprint in the UK cooler rental market. The objective of the Cariad acquisition was to gain market share in a region where Waterlogic has existing operations under the Waterlogic name. The preliminary purchase price allocation is set out below.

	Preliminary fair value $'000
Net assets acquired:	
– property, plant and equipment	587
– trade receivables	308
– other monetary assets	626
– monetary liabilities assumed	(2,895)
– net deferred tax liability	(707)
– intangible assets recognised	4,088
Total net assets acquired	2,007
Goodwill recognised	5,831
	7,838
Satisfied by:	
– cash consideration	7,105
– deferred consideration	733
	7,838
Net cash flow on acquisition:	
Cash consideration	7,105
Add: bank overdraft acquired	113
	7,218

Goodwill is an intangible asset that represents that portion of the entire business value that cannot be attributed to other income producing business assets, tangible or intangible. One of the drivers of goodwill is the synergies available to the business combination post acquisition. None of the goodwill recognised of $5,831,000 is tax deductible. Of the trade receivable purchased of $308,000, the gross contractual amount receivable is $308,000.

Intangible assets of $4,088,000 have been recognised comprising ongoing customer relationships that existed at the date of acquisition and are being amortised over a period of between ten and fifteen years. A deferred tax liability has been recognised in respect of the intangible assets. The amortisation charges of the intangible assets will not be deductible for tax purposes.

Acquisition-related costs of $942,000 have been expensed and are included in administrative expenses as incurred. Cariad and Watercoolers contributed $657,000 of revenue and $44,000 of operating loss to the Group's results for the period between the date of acquisition and the balance sheet date. Had the acquisition of the two companies occurred on 1 January 2018, Group revenue would have been approximately $4,826,000 higher and Group operating profit would have been approximately $11,000 lower.

Other acquisitions in the year

On 4 January 2018 the Group acquired 100% of the issued share capital of ABO Filtertechnik Nord GmbH ("ABO") for total consideration of $4.0 million. ABO had identifiable net assets (including intangible assets) of $2.5 million resulting in recognition of $1.5 million of goodwill at the date of acquisition.

On 30 April 2018 the Group acquired 100% of the issued share capital of Lux Aqua Hungaria Kft and Lux Aqua Czech s.r.o. ("Lux Aqua") for total consideration of $1.3 million. Lux Aqua had identifiable net assets (including intangible assets) of $1.2 million resulting in recognition of $0.7 million of goodwill together with a credit to profit and loss of $0.7 million relating to the gain recorded on a bargain purchase, at the date of acquisition.

Notes to the consolidated financial statements (continued)

32. Acquisitions (continued)

Other acquisitions in the year (continued)

On 31 July 2018 the Group acquired 100% of the issued share capital of Interiör Vatten Skåne AB ("Interiör Vatten") for total consideration of $1.3 million. Interiör Vatten had identifiable net assets (including intangible assets) of $0.9 million resulting in recognition of $0.4 million of goodwill at the date of acquisition

On 30 August 2018 the Group acquired 100% of the issued share capital of Just Pure Water Inc ("JPW") for total consideration of $2.0 million. JPW had identifiable net assets (including intangible assets) of $1.0 million resulting in recognition of $1.0 million of goodwill at the date of acquisition.

On 31 December 2018 the Group acquired the trade and assets of Pure Life H2O Inc ("Pure Life") for total consideration of $1.1 million. Pure Life had identifiable net assets (including intangible assets) of $0.8 million resulting in recognition of $0.3 million of goodwill at the date of acquisition.

33. Notes to the cash flow statement

	Year ended 31 December	
	2018 $'000	2017 Restated $'000
Movements in working capital		
Decrease/(increase) in trade and other receivables	**567**	(6,900)
Increase in inventories	**(6,069)**	(1,868)
Increase in trade and other payables	**6,542**	2,029
Decrease in deferred revenue	**(490)**	(3,076)
Net effect of working capital movements	**550**	(9,815)
Net cash and cash equivalents		
Cash and cash equivalents	**46,558**	21,864
Bank overdrafts	**-**	-
Net cash and cash equivalents	**46,558**	21,864

Net cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets is approximately equal to their fair value.

Reconciliation of movements in net debt

	Bank Borrowings (net of prepaid fees) $'000	Loans from parent undertaking $'000	Accrued interest due to parent undertaking $'000	Finance leases $'000	Total borrowings $'000	Cash and cash equivalents $'000	Net debt $'000
Net debt at 1 January 2018:							
Due within twelve months	(5,379)	-	-	(283)	(5,662)	-	(5,662)
Due after more than twelve months	(334,896)	(216,735)	(54,706)	(463)	(606,800)	-	(606,800)
Cash and cash equivalents	-	-	-	-	-	21,864	21,864
At 1 January 2018	(340,275)	(216,735)	(54,706)	(746)	(612,462)	21,864	(590,598)
Cash flows	(139,041)	709	-	1,377	(136,955)	24,694	(112,261)
Non-cash flows	(17,941)	-	(21,722)	(2,182)	(41,845)	-	(41,845)
Foreign exchange gain/(loss)	14,444	9,674	3,063	(128)	27,053	-	27,053
Net debt at 31 December 2018:							
Due within twelve months	-	-	-	(439)	(439)	-	(439)
Due after more than twelve months	(482,813)	(206,352)	(73,365)	(1,240)	(763,770)	-	(763,770)
Cash and cash equivalents	-	-	-	-	-	46,558	46,558
At 31 December 2018	**(482,813)**	**(206,352)**	**(73,365)**	**(1,679)**	**(764,209)**	**46,558**	**(717,651)**

33. Notes to the cash flow statement (continued)

Reconciliation of movements in net debt (continued)

	Bank Borrowings (net of prepaid fees) $'000	Loans from parent undertaking $'000	Accrued interest due to parent undertaking $'000	Finance leases $'000	Total borrowings $'000	Cash and cash equivalents $'000	Net debt $'000
Net debt at 1 January 2017:							
Due within twelve months	(2,686)	-	-	(293)	(2,979)	-	(2,979)
Due after more than twelve months	(289,942)	(182,150)	(29,439)	(294)	(501,825)	-	(501,825)
Cash and cash equivalents	-	-	-	-	-	18,464	18,464
At 1 January 2017	(292,628)	(182,150)	(29,439)	(587)	(504,804)	18,464	(486,340)
Cash flows	(1,855)	(24,859)	-	(155)	(26,869)	3,400	(23,469)
Non-cash flows	(4,620)	16	(18,117)	-	(22,721)	-	(22,721)
Foreign exchange (loss)	(41,172)	(9,742)	(7,150)	(4)	(58,068)	-	(58,068)
Net debt at 31 December 2017:							
Due within twelve months	(5,379)	-	-	(283)	(5,662)	-	(5,662)
Due after more than twelve months	(334,896)	(216,735)	(54,706)	(463)	(606,800)	-	(606,800)
Cash and cash equivalents	-	-	-	-	-	21,864	21,864
At 31 December 2017	(340,275)	(216,735)	(54,706)	(746)	(612,462)	21,864	(590,598)

34. Operating lease arrangements

The Group as lessee

	Year ended 31 December	
	2018 $'000	2017 Restated* $'000
Minimum lease payments under operating leases recognised as an expense in the year	**13,150**	12,054

*The comparative figure for minimum lease payments shown above has been restated from $8,851,000 previously reported as it was noted subsequent to the approval of the financial statements that an amount of $3,203,000 had inadvertently been omitted. This does not impact any other figures in the financial statements.

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

	2018 $'000	2017 $'000
Within one year	**9,629**	7,923
In the second to fifth years inclusive	**19,314**	15,599
After five years	**2,071**	2,973
	31,014	26,495

Operating lease payments represent rentals payable by the Group for certain of its office properties, office equipment, warehousing, factory premises and vehicles. Typically vehicle and property leases are entered into for a minimum of three years with the possibility of extending the term for a minimum of a further twelve months in the case of leased property. Rent reviews and break clauses apply to leased property agreements.

34. Operating lease arrangements (continued)

The Group as lessor

	Year ended 31 December	
	2018 **$'000**	2017 Restated* $'000
Rental income under operating leases recognised in the year	**120,034**	103,168

* as part of the Group's review of the impact of IFRS 15 reclassified its 2017 revenues which resulted in the rental income under operating leases being overstated by $20,866,000. Accordingly, the comparative figure shown above has been restated to reflect the correction to the prior year classification of revenues. Total revenue for the prior year remains unaffected by this correction.

At the balance sheet date, the Group had contracted with rental customers for the following future minimum lease payments:

	2018 **$'000**	2017 $'000
Within one year	**96,817**	93,608
In the second to fifth years inclusive	**89,439**	65,862
After five years	**251**	176
	186,507	159,646

The lessee does not have the option to buy the leased equipment at the end of the lease term, although this may be negotiated at the request of the lessee. Any renewal or extension of the lease term is normally subject to negotiation of a new rental agreement by both parties.

35. Retirement benefit schemes

Defined contribution schemes

The Group does not operate retirement benefit schemes for any employees.

Some subsidiaries within the Group make contributions based on annual salary to employees' private pension schemes or to statutory bodies, including the state-managed scheme operated by the French government, as set out in note 27. Other than amounts that are deducted from employees' remuneration and accrued pending payment to the pension fund or statutory body concerned, no further obligations fall on the Group as the assets of these arrangements are held and managed by third parties entirely separate from the Group. The amount charged for the year was $3,141,000 (2017: $2,282,000) and the balance outstanding as at 31 December 2018 was $44,000 (2017: $14,000).

36. Financial instruments

Capital management objectives

The Group manages its capital to ensure entities within the Group are able to continue operating on a going concern basis while maximising the return to stakeholders through optimising the balance between Group debt and equity. The Group's overall strategy has evolved in response to growth opportunities pursued both organically and through acquisition, as well as to the external financial environment and the availability of funding from external institutions.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 22, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 28 to 30.

The Group is not subject to any externally imposed capital requirements. The Group regularly reviews the cost of capital and the risks associated with each class of capital.

Categories of financial instruments

	2018 **$'000**	2017 Restated $'000
Financial assets		
At amortised cost:		
Cash and bank balances	**46,558**	21,864
Trade and other receivables	**60,058**	54,942
	106,616	76,806
At fair value.		
Derivative financial instruments in designated hedge accounting relationships	**377**	-
	106,993	76,806

36. Financial instruments (continued)

Categories of financial instruments (continued)

	2018 $'000	2017 $'000
Financial liabilities		
At amortised cost:		
Borrowings	**762,530**	611,716
Obligations under finance leases	**1,679**	746
Trade and other payables	**49,808**	40,870
Provisions	**3,946**	1,617
Other long-term obligations	**8**	8
Company income taxes	**3,255**	3,287
Deferred consideration	**784**	239
	822,010	658,483
At fair value:		
Derivative financial instruments in designated hedge accounting relationships	**14**	300
	822,024	658,783

Financial assets and liabilities in a designated hedging relationship

Further details of derivatives are provided in note 23.

Interest rate swap and cap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the cash flow exposure on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the yield curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

The following tables detail the notional principal amounts and remaining terms of interest rate swap and interest rate cap contracts outstanding as at the reporting date.

Cash flow hedges

	Average contract fixed interest rate		Notional principal value		Fair value	
Outstanding receive floating pay fixed contracts	2018 %	2017 %	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Less than 3 months	**0.81%**	0.76%	**55,264**	166,236	**(14)**	(300)

The interest rate swaps settle on a quarterly basis. The floating rate on the swap denominated in Pounds Sterling is 3 months' LIBOR. The Group will settle the difference between the fixed and floating interest rate on a net basis.

Interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to the Income Statement over the period that the floating rate interest payments on debt affect profit or loss.

	Average contract fixed interest rate		Notional principal value		Fair value	
Outstanding interest rate caps	2018 %	2017 %	2018 $'000	2017 $'000	2018 $'000	2017 $'000
One to five years	**0.81%**	-	**293,830**	-	**333**	-

Interest rate caps settle on a quarterly basis. The floating reference rate for the caps denominated in Pounds Sterling is 3 months' LIBOR, on the caps denominated in Euros is 3 months' EURIBOR and on the cap denominated in Australian Dollars is 3 months' BBSW. The Group paid a premium of $684,077 in July 2018.

36. Financial instruments (continued)

Financial risk management objectives

The Group's finance function is responsible for all aspects of corporate treasury. It co-ordinates access to financial markets and monitors and manages the financial risks relating to the operations of the Group through internal reports which analyse exposures by degree and magnitude. The financial risks considered include market risk (including foreign currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by policies approved by the Board of Directors, which provide written principles to guide the finance function in addressing all such risks, and the appropriate use of financial derivatives and non-derivative financial instruments and the investment of excess liquidity. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Further information about the nature of these risks and the mitigations in place are set out in the principal risks and uncertainties set out in the Strategic Report out on pages 1 to 7.

Foreign currency

The carrying amounts of the Group's currency denominated monetary assets and monetary liabilities at 31 December 2018 and 2017 were as follows:

	Liabilities		Assets	
	2018 $'000	2017 Restated $'000	**2018 $'000**	2017 Restated $'000
US Dollar	**(32,672)**	(41,669)	**10,576**	8,168
Euro	**(575,277)**	(332,608)	**41,029**	13,575
Swedish Krona	**(2,362)**	(2,233)	**2,920**	2,885
Norwegian Kroner	**(3,578)**	(10,106)	**4,914**	12,008
GB Pound Sterling	**(132,452)**	(223,487)	**33,940**	34,148
Australian Dollar	**(69,607)**	(43,250)	**10,265**	3,889
Other currencies	**(6,076)**	(5,430)	**3,349**	2,133
	(822,024)	(658,783)	**106,993**	76,806

Foreign currency sensitivity analysis

The Group is mainly exposed to fluctuations in the Australian Dollar, the Norwegian Kroner, the Euro and Pounds Sterling.

The following table details the Group's sensitivity to a 10 per cent increase or decrease in the US Dollar against the relevant foreign currencies. 10 per cent is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the Directors' assessment of a reasonably possible significant movement in foreign exchange rates over the near term (three to twelve months). The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10 per cent change in foreign currency rates.

The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A negative number below indicates a decline in profits and other equity where the US Dollar strengthens 10 per cent against the relevant currency. For a 10 per cent weakening of the US Dollar against the relevant currency, there would be a comparable impact on the profit and other equity and the balances below would be positive.

	Impact on profit and loss		Impact on equity	
	2018 $'000	2017 Restated $'000	**2018 $'000**	2017 Restated $'000
Profit/(loss)				
Australian Dollar impact(i)	**640**	892	**5,160**	3,111
Norwegian Kroner impact(ii)	**203**	432	**(338)**	(620)
Euro impact(iii)	**25,591**	18,981	**4,018**	4,382
Pounds Sterling impact(iv)	**16,231**	12,185	**(8,834)**	(8,192)

(i) This is mainly attributable to the exposure to outstanding Australian Dollar payables and borrowings at the balance sheet date.

(ii) This is mainly attributable to the exposure to outstanding Norwegian Kroner payables at the balance sheet date.

(iii) This is mainly attributable to the exposure on Euro borrowings and receivables at the balance sheet date.

(iv) This is mainly attributable to the exposure on Pounds Sterling payables at the balance sheet date.

36. Financial instruments (continued)

***Foreign currency sensitivity analysis** (continued)*

In the opinion of the Directors, the sensitivity analysis above is unrepresentative of the inherent foreign currency risk as the year-end exposure calculated above reflects neither the foreign exchange gain/loss incurred on the translation of non-monetary assets and liabilities held within foreign operations, nor the foreign exchange exposure arising from foreign currency transactions during the period.

Interest rates

The Group is exposed to interest rate risk because entities in the Group borrow funds at floating interest rates. The risk is managed by the utilisation of interest rate swap contracts as well as interest rate caps. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at balance sheet date was outstanding for the whole year. A one per cent increase or decrease is used when reporting interest rate risk internally to key management personnel and represents the Directors' assessment of the reasonably possible change in interest rates.

If interest rates had been one per cent higher and all other variables were held constant, the Group's profit for the year ended 31 December 2018 would decrease by $2,353,000 (2017: $1,888,000). If interest rates had been one per cent lower and all other variables were held constant, the Group's profit for the year ended 31 December 2018 would increase by $1,510,000 (2017: increase by $926,000). This is attributable to the Group's exposure to interest rates on its variable rate borrowings.

If interest rates had been one per cent higher and all other variables were held constant, other comprehensive income would decrease by $2,534,000 (2017: $3,678,000). If interest rates had been one per cent lower and all other variables were held constant, other comprehensive income would increase by $306,000 (2017: $3,770,000).

Credit risk

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group does not have any significant credit risk exposure to any single counterparty or group of counterparties having similar characteristics.

The Group defines counterparties as having similar characteristics if they are related entities. With the exception of cash deposits held by the Group's principal banker, concentration of credit risk relating to any single counterparty did not exceed 10 per cent of gross monetary assets (2017: 10 per cent).

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are primarily banks with high credit ratings assigned by international credit-rating agencies.

The carrying amount recorded for financial assets in the Financial Statements is net of impairment losses and represents the Group's maximum exposure to credit risk. No guarantees have been given in respect to third parties. In addition, for contracted rental agreements, deposits or advances may be held to mitigate risk. The Group also holds legal recourse and can exercise its right to recover rental equipment from non-performing customers.

For trade receivables the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 21 includes further details on the loss allowance for trade receivables.

36. Financial instruments (continued)

Liquidity and interest risk

The Group maintains committed credit facilities to ensure that it has sufficient liquidity to maintain its ongoing operations. The Group's banking facilities are provided by a syndicate of banks. As at 31 December 2018 the Group had $42.0 million (2017: $4.3 million) of unutilised multi-currency revolving credit facility and $nil (2017: $16.9) of unutilised incremental facility. See note 22 for more detail.

The following table details the Group's remaining maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate yield curves at the balance sheet date.

Non-derivative financial liabilities	Weighted average effective interest rate %	Less than three months $'000	Three months to one year $'000	One to five years $'000	More than five years $'000	Total $'000
31 December 2018						
Trade and other payables	**0.0%**	**49,808**	-	-	-	**49,808**
Finance lease liability	**6.2%**	**191**	**402**	**1,243**	-	**1,836**
Variable rate instruments – bank borrowings	**4.4%**	**5,325**	**16,259**	**117,757**	**495,496**	**634,837**
Fixed rate instruments – parent company loans	**10.2%**	-	-	-	**410,328**	**410,328**
		55,324	**16,661**	**119,000**	**905,824**	**1,096,809**
31 December 2017						
Trade and other payables	0.0%	40,870	-	-	-	40,870
Finance lease liability	7.5%	76	241	503	-	820
Variable rate instruments – bank borrowings	5.6%	4,884	15,200	430,745	-	450,829
Fixed rate instruments – parent company loans	10.1%	-	-	348,910	-	348,910
		45,830	15,441	780,158	-	841,429

The following table details the Group's expected maturity for its non-derivative financial assets as recognised at 31 December 2018 and 2017. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis. The comparative figures have been restated to take account of the IFRS 15 adjustment set out in note 31.

Non-derivative financial assets	Weighted average effective interest rate %	Less than one month $'000	One to three months $'000	Three months to one year $'000	One to five years $'000	More than five years $'000	Total $'000
31 December 2018							
Non-interest-bearing	**0.00%**	**103,251**	-	-	-	-	**103,251**
Variable interest rate instruments	**0.33%**	**3,742**	-	-	-	-	**3,742**
		106,993	-	-	-	-	**106,993**
31 December 2017							
Non-interest-bearing - restated	0.00%	71,477	-	-	-	-	71,477
Variable interest rate instruments	0.11%	5,329	-	-	-	-	5,329
		76,806	-	-	-	-	76,806

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the relevant year ends presented above.

36. Financial Instruments (continued)

The following table details the Group's liquidity analysis for its derivative financial instruments based on contractual maturities. The table has been drawn up based on the undiscounted net cash inflows and outflows of derivative instruments that settle on a net basis, and the undiscounted gross outflows on those derivatives that require gross settlement.

When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

	Less than one month $'000	One to three months $'000	Three months to one year $'000	One to five years $'000	Total $'000	Carrying value $'000
31 December 2018						
Gross settled:						
– foreign currency forward contracts						
Inflow	1,676	3,278	1,093	-	6,047	
Outflow	(1,683)	(3,287)	(1,094)	-	(6,064)	
	(7)	**(9)**	**(1)**	**-**	**(17)**	**(14)**
31 December 2017						
Net settled:						
– interest rate swaps	-	(159)	(134)	(6)	(299)	(300)

Financing facilities

	2018 $'000	2017 $'000
Loan facilities		
Committed loan facilities:		
– amount used – loan from parent undertaking (note 22)	**206,352**	216,735
– amount used – bank loans (note 22)	**482,813**	340,275
– amount unused	**42,003**	21,228
Total loan facilities	**731,168**	578,238

Fair value of financial instruments carried at amortised cost

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Statements approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes);
- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and
- the fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Fair value measurements

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value. The grouping into Levels 1 to 3 is based on the degree to which their fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

36. Financial instruments (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular the valuation techniques and inputs used). There are no significant unobservable inputs for any of the financial instruments shown in the table.

Financial assets/ financial liabilities	Fair value at year end 31 December 2018	31 December 2017	Fair value hierarchy	Valuation technique(s) and key inputs
	Assets:	Assets:	Level 2	***Interest rate swap and caps:*** Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of the various counterparties.
Interest rate swap	**$ 14,000**	$Nil		
Interest rate caps	**$333,000**	$Nil		
Foreign currency forward contracts	**$ 30,000**	$Nil		***Foreign currency forward contracts:*** Foreign currency forward contracts were valued using the mid point of the FX curve prevailing on the reporting date. The fair value represents the net present value of the difference between the contracted rate and the valuation rate when applied to the projected balances for the period from the reporting date to the contracted maturity dates.
	Liabilities:	Liabilities:	Level 2	***Foreign currency forward contracts:*** Foreign currency forward contracts were valued using the mid point of the FX curve prevailing on the reporting date. The fair value represents the net present value of the difference between the contracted rate and the valuation rate when applied to the projected balances for the period from the reporting date to the contracted maturity dates.
Foreign currency forward contracts	**$ 14,000**	$Nil		
Interest rate swaps	$Nil	$300,000		***Interest rate swaps:*** Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of the various counterparties.

37. Events after the balance sheet date

Acquisitions:

On 28 February 2019 Waterlogic Holding AB acquired 100% of the share capital of Svensk Storkoksservice AB and Reservdelar i Sverige AB ('3S'), a company incorporated in Sweden for $4.0 million. 3S is a leading player in its industry offering a complete service to professional catering companies in the Hotels, Restaurants and Catering (Horeca) sector. A reasonable estimate of the financial effects of this transaction cannot be made at the date of signing of these financial statements.

On 28 February 2019 Waterlogic Canada Inc acquired the trade and certain assets of Just Pure Inc., a company incorporated in Canada for $1.2 million. Just Pure Inc is a leading provider of state-of-the-art reverse osmosis water filtration systems for home and office use. A reasonable estimate of the financial effects of this transaction cannot be made at the date of signing of these financial statements.

On 1 April 2019 Angel Springs Limited acquired 100% of the share capital of Kingshill Mineral Water Limited ('Kingshill'), a company incorporated in the UK for $9.2 million. Kingshill provides bottled water to other water cooler rental companies, extracting water from their own well and has a wholly owned subsidiary, Cameron Water Limited, which provides bottle water coolers, bottled water and associated services to over 1,500 businesses. A reasonable estimate of the financial effects of this transaction cannot be made at the date of signing of these financial statements.

38. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and other related parties are disclosed below.

Transactions with joint ventures

During the year the Group made sales of $nil (2017: $0.1 million) to its joint venture, Aqualgnis Technologies Pvt. Limited. At 31 December 2018 the amount owed by the joint venture to the Group was $nil (31 December 2017: $nil). The Group's interest in the joint venture was sold in March 2018.

Remuneration of key management personnel

The remuneration of the Senior Executive Management Committee members, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	Year ended 31 December	
	2018 $'000	2017 $'000
Short-term employee benefits	**2,796**	3,212
Post-employment benefits	**37**	54
	2,833	3,266

As part of the MIP, a related party, Firewall Investments S.A., offers the scheme participants a limited-recourse loan to purchase the shares which carries a market interest rate of 5% per annum. The loan value can be for part of the investment value only and is secured against the underlying shares purchased. The loans are repayable only on an exit of the ultimate controlling parties.

At 31 December 2018 the value of the outstanding loans held by the scheme participants was $4.9 million (31 December 2017: $3.7 million).

39. Ultimate controlling party

The Company's immediate parent is Waterlogic Group Holdings Limited, a company incorporated in England and Wales. The ultimate controlling parties are EPIC Fund I SLP and EPIC Fund I Sidecar SLP, who hold the majority control. Waterlogic Group Holdings Limited is the largest group at which consolidated financial statements are available. The registered office of Waterlogic Group Holdings Limited is 1 Grenfell Road, Maidenhead, Berkshire, England, SL6 1HN.

Company balance sheet
as at 31 December 2018

	Note	2018 £'000	2017 £'000
ASSETS			
Non-current assets			
Investments in subsidiary undertakings	C4	30,293	22,327
Loans and other receivables	C5	194,093	168,006
Total non-current assets		224,386	190,333
Current assets			
Trade and other receivables	C6	27,913	39,844
Cash and cash equivalents		4	2
Total current assets		27,917	39,846
Total assets		252,303	230,179
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	C9	40,360	39,814
Retained earnings		(9,385)	(11,714)
Total equity		30,975	28,100
Non-current liabilities			
Borrowings	C7	219,633	201,171
Total non-current liabilities		219,633	201,171
Current liabilities			
Trade and other payables	C8	1,695	908
Total current liabilities		1,695	908
Total liabilities		221,328	202,079
Total equity and liabilities		252,303	230,179

The Company's profit for the year was £2,329,000 (2017: loss £(5,147,000)) and other comprehensive income for the year was £nil (2017: £nil).

The company Financial Statements were approved by the Board of Directors and authorised for issue on 26 April 2019 and were signed on its behalf by:

Huw Jenkins
Group Chief Financial Officer

Company number 09297208

Company statement of changes in equity

for the year ended 31 December 2018

	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2017	35,230	(6,567)	28,663
Loss for the year	-	(5,147)	(5,147)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(5,147)	(5,147)
Shares issued in the year	4,584	-	4,584
Balance at 1 January 2018	39,814	(11,714)	28,100
Profit for the year	-	2,329	2,329
Other comprehensive income for the year	-	-	-
Total comprehensive loss for the year	-	2,329	2,329
Shares issued in the year	546	-	546
Balance at 31 December 2018	**40,360**	**(9,385)**	**30,975**

Notes to the company financial statements

for the year ended 31 December 2018

C1. General information

Waterlogic Group Holdings Limited ("the Company") is a limited company domiciled and incorporated in England and Wales under the registration number 09297208.

The address of its registered office and principal place of business is 1 Grenfell Road, Maidenhead, Berkshire, SL6 1HN.

The Company's principal activity is that of a holding company of the Group. The Group's principal activities are set out in the Strategic Report and Directors' Report on pages 1 to 9 of the consolidated Financial Statements.

The Company had no employees other than the Directors.

C2. Accounting Policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value, and in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

Monetary amounts in these financial statements are presented in GBP which is the functional currency of the Company and are rounded to the nearest whole £1,000, except where otherwise indicated.

In accordance with FRS 102, the Company has taken advantage of the 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' & 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;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel; and
- Section 33 'Related Party Disclosures' – Transactions between wholly-owned subsidiaries of the Group.

These financial statements present information about the Company as an individual entity and not about its group. The above exemptions are taken on the basis that the Company is a qualifying entity included within the consolidated financial statements of its group and that the shareholders have not objected to these exemptions being applied. The financial statements of the Company are consolidated in the financial statements of the Group on pages 1 to 76.

As permitted by section 408 Companies Act 2006, the Company has not presented its own statement of comprehensive income. The Company's profit for the year was £2,329,000 (2017: loss £(5,147,000)) and other comprehensive income for the year was £nil (2017: £nil).

Going concern

The Group's business activities and position in the market are described in the Strategic Report. The Directors believe that the Group is well placed to manage its business risks successfully. Accordingly, the Directors consider it appropriate to prepare the Financial Statements on a going concern basis. Further detail is contained in the Strategic Report on pages 1 to 7.

Foreign currencies

In preparing the Financial Statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rate of exchange prevailing on the date of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the income statement in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to the income statement on disposal or partial disposal of the net investment.

C2. Accounting Policies (continued)

Other income

Interest income
Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding at the effective interest rate.

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 tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. 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 is not discounted.

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.

Deferred tax is recognised on income or expenses from subsidiaries that will be assessed to or allow for tax in a future period except where the Company is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Current and deferred tax is charged or credited to the Income Statement, 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 a net basis or to realise the asset and settle the liability simultaneously.

Fixed asset investments
Investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

Investments in subsidiaries are assessed for impairment at each reporting date. Any impairment losses or reversals of impairment losses are recognised immediately in the Income Statement.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

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, in full, to all of its financial instruments.

Financial assets
Financial assets are recognised in the balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Basic financial assets, which include trade and other receivables 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 transaction is measured at the present value of the future receipts discounted at a market rate of interest. Other financial assets classified as fair value through profit or loss are measured at fair value.

Loans and receivables
Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

C2. Accounting Policies (continued)

Loans and receivables (continued)

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Financial liabilities

Basic financial liabilities are initially measured at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Other financial liabilities classified as fair value through profit or loss are measured at fair value

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Loans from other Group undertakings and all other payables are initially recorded at fair value, which is generally the proceeds received. They are then subsequently carried at amortised cost. The loans are non-interest bearing and repayable on demand.

Derecognition of financial liabilities

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

Equity instruments

Equity instruments issued by the company are recorded at the 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

Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in the Income Statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

The Company designates certain hedging instruments, including derivatives, embedded derivatives and non-derivatives, as either fair value hedges or cash flow hedges.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item along with risk management objectives and strategy for undertaking various hedge transactions. At the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the Income Statement immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income.

The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement, and is included in the 'other gains and losses' line in this item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in the profit or loss in the same line as of the Income Statement as the ineffective hedged costs. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability concerned.

C3. Critical accounting estimates and judgements

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.

Notes to the company financial statements (continued)

C3. Critical accounting estimates and judgements (continued)

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, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Critical judgements

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 judgement that no impairment exists is based on the information available at the date of signing these financial statements.

C4. Investments in subsidiary undertakings

	£'000
Balance at 1 January 2017	22,327
Investments in the year	-
Balance at 1 January 2018	22,327
Investments in the year	7,966
Balance at 31 December 2018	**30,293**

During the year the Company subscribed for an additional 7,965,947 Ordinary £1 shares in Waterlogic Holdings Limited at par.

Shares in subsidiary undertakings represent the Company's investment in the entities listed below. The Directors believe that the carrying value of the investments is supported by their underlying net assets.

Details of the Company's subsidiaries at 31 December 2018 are set out below. The registered office addresses for these companies are provided in note 19 to the Group financial statements.

Company name	Country of registration or incorporation	Principal activity	Class of shares	Ownership interest Direct %	Indirect %
Aguapura Aguaviva S.L	Spain	Distribution and service	Ordinary	-	**100%**
All Water Systems Limited	Ireland	Distribution and service company	Ordinary	-	**100%**
Andrew's Water Treatment Limited	England and Wales	Dormant	Ordinary	-	**100%**
Angel Springs Holdings Limited	England and Wales	Holding company	Ordinary	-	**100%**
Angel Springs Limited	England and Wales	Distribution and service company	Ordinary	-	**100%**
Aqua Cure Limited	England and Wales	Distribution	Ordinary	-	**100%**
Aqua Cure (Scotland) Limited	Scotland	Distribution and service	Ordinary	-	**100%**
Aqua Interiör I Laholm AB	Sweden	Distribution and service	Ordinary	-	**100%**
Aqua Line ApS	Norway	Distribution and service	Ordinary	-	**100%**
Billi Financial Services Pty Ltd	Australia	Finance	Ordinary	-	**100%**
Billi R&D Pty Ltd	Australia	Product development	Ordinary	-	**100%**
Billi UK LLP	England and Wales	Distribution and service	N/A	-	**100%**
Escowa AB	Sweden	Distribution and service	Ordinary	-	**100%**
Fillongley Spring Water Limited	England and Wales	Bottling and distribution	Ordinary	-	**100%**
Fillongley Ventures Limited	England and Wales	Holding company	Ordinary	-	**100%**
GLGB Limited	England and Wales	Holding company	Ordinary	-	**100%**
Interiör Vatten Skåne AB	Sweden	Distribution and service	Ordinary	-	**100%**
Lux Aqua Czech s.r.o.	Czech Republic	Distribution and service	Ordinary	-	**100%**
Lux Aqua Hungária Korlátolt Felelősségű Társaság	Hungary	Distribution and service	Ordinary	-	**100%**
Palmheath Investments Limited	British Virgin Islands	Dormant	Ordinary	-	**100%**

Notes to the company financial statements (continued)

C4 Investments in subsidiary undertakings (continued)

Company name	Country of registration or incorporation	Principal activity	Class of shares	Ownership interest Direct %	Ownership interest Indirect %
Pelican Technical Solutions Limited	England and Wales	Dormant	Ordinary	-	100%
Qingdao Waterlogic Manufacturing Co. Limited	People's Republic of China	Manufacturer	Ordinary	-	100%
Watercompany BV	Netherlands	Distribution and service	Ordinary	-	100%
Watercompany Home Products BV	Netherlands	Distribution and service	Ordinary	-	100%
Watercompany International BV	Netherlands	Holding company	Ordinary	-	100%
Waterfirst Queensland Pty Ltd	Australia	Dormant	Ordinary	-	100%
Waterlogic Americas LLC	United States of America	Distribution and service	Preferred/ Ordinary	-	100%
Waterlogic Australia Holdings Pty Limited	Australia	Holding company	Ordinary	-	100%
Waterlogic Australia Pty Limited	Australia	Distribution and service	Ordinary	-	100%
Waterlogic Canada Inc	Canada	Distribution and service	Ordinary	-	100%
Waterlogic Commercial Products LLC	United States of America	Distribution	Ordinary	-	100%
Waterlogic Finance Limited	England and Wales	Finance	Ordinary	-	100%
Waterlogic Finance 2 Limited	England and Wales	Finance	Ordinary	-	100%
Waterlogic France SAS	France	Distribution and service	Ordinary	-	100%
Waterlogic GmbH	Germany	Distribution, service and holding company	Ordinary	-	100%
Waterlogic Holding AB	Sweden	Holding company	Ordinary	-	100%
Waterlogic Holdings GmbH	Germany	Holding company	Ordinary	-	100%
Waterlogic Holdings Limited	England and Wales	Holding company	Ordinary	100%	-
Waterlogic International Limited	Bahamas	Holding company	Ordinary	-	100%
Waterlogic Limited	Jersey	Holding company	Ordinary	-	100%
Waterlogic Norge AS	Norway	Distribution and service	Ordinary	-	100%
Waterlogic Sverige AB	Sweden	Distribution and service	Ordinary	-	100%
Waterlogic UK Limited	England and Wales	Holding company	Ordinary	-	100%
Waterlogic USA Finance Inc	United States of America	Finance	Ordinary	-	100%
Waterlogic USA Holdings Inc	United States of America	Holding company	Ordinary	-	100%
Waterlogic USA Inc	United States of America	Holding and management service company	Ordinary	-	100%
WLI Trading Limited	Ireland	Distribution	Ordinary	-	100%
WLI (UK) Limited	England and Wales	Service company	Ordinary	-	100%

Notes to the company financial statements (continued)

C4 Investments in subsidiary undertakings (continued)

Parent company guarantees

The following subsidiary companies are exempt from the requirements under the Companies Act 2006 relating to the audit of financial statements under section 479A of that Act. Waterlogic Group Holdings Limited has provided a parent company guarantee over the liabilities of each of these subsidiary companies, pursuant to section 479C of the Companies Act 2006.

Company name	Company number
Andrew's Water Treatment Limited	06772267
Angel Springs Holdings Limited	07617386
Aqua Cure Limited	06330499
Aqua Cure (Scotland) Limited	SC232827
Billi UK LLP	OC381177
Cariad Cool Water Limited	04186182
Fillongley Spring Water Limited	07555626
Fillongley Ventures Limited	07680170
GLGB Limited	08510820
Waterlogic Finance Limited	09899276
Waterlogic Finance 2 Limited	11415204
Waterlogic UK Limited	04832980
WLI (UK) Limited	04051205

C5. Non-current assets: loans and other receivables

	2018 £'000	2017 £'000
Loans to subsidiary undertakings	**194,093**	168,006

C6. Trade and other receivables

	2018 £'000	2017 £'000
Accrued interest due from Group companies	**27,075**	39,604
Other amounts receivable from Group companies	**838**	240
Amounts owed by Group companies	**27,913**	39,844

Loans to Group companies attract interest at fixed rates of between 0.0% and 10.0% per annum, are unsecured and repayable on demand. Interest is not compounded on accrued interest.

C7. Borrowings

	2018 £'000	2017 £'000
Secured borrowing at amortised cost		
Accrued interest due to parent undertaking	**57,606**	40,544
Loan from parent undertaking	**162,027**	160,627
	219,633	201,171
Amounts due for settlement within twelve months		
Loan from parent undertaking	-	-
	-	-
Amounts due for settlement after twelve months		
Accrued interest due to parent undertaking	**57,606**	40,544
Loan from parent undertaking	**162,027**	160,627
	219,633	201,171
	219,633	201,171

All borrowings and accrued interest are denominated in Euros (2017: Euros).

Fees charged on facilities are assessed on an annual basis with the majority of fees being paid on a quarterly or calendar year basis. Any fees are included in the determination of the effective interest rate and are charged to the Income Statement over the life of the facility, except where the Directors judge that the facility is unlikely to be used at which time the unamortised fees are immediately expensed through the Income Statement.

The weighted average effective interest rates paid during the year:

	2018 %	*2017 %*
Related party loans	**10.2**	10.2

There have been no breaches of loan agreements during the period covered by the Financial Statements.

C8. Trade and other payables

	2018 £'000	2017 £'000
Trade creditors	**343**	695
Amounts owed to group undertakings	**1,296**	157
Accruals	**56**	56
	1,695	908

C9. Share capital and reserves

Share capital

	2018 £'000	2017 £'000
Allotted, issued and fully paid Ordinary shares of £1 each	**40,360**	39,814

Issue of new shares

On 3 October 2018 546,155 Ordinary shares were issued at par. No share premium arose in relation to this transaction. No further share transactions took place during 2018.

	Number
Share capital in issue at 1 January 2017	35,229,663
Shares issued in the year	4,584,571
Share capital in issue at 1 January 2018	39,814,234
Shares issued in the year	546,155
Share capital in issue at 31 December 2018	**40,360,389**

Notes to the company financial statements (continued)

C9. Share capital and reserves (continued)

The Company has one class of Ordinary Shares, which carry no right to fixed income. There is no limit on the number of shares that the Company can issue.

Reserves

The Company's reserves represent the following:

Retained earnings

Retained eamings represent the cumulative profit and loss, net of distributions to owners.

C10. Events after the reporting date

Acquisitions:

On 28 February 2019 Waterlogic Holding AB acquired 100% of the share capital of Svensk Storkoksservice AB and Reservdelar i Sverige AB ('3S'), a company incorporated in Sweden for $4.0 million. 3S is a leading player in its industry offering a complete service to professional catering companies in the Hotels, Restaurants and Catering (Horeca) sector. A reasonable estimate of the financial effects of this transaction cannot be made at the date of signing of these financial statements.

On 28 February 2019 Waterlogic Canada Inc acquired the trade and certain assets of Just Pure Inc., a company incorporated in Canada for $1.2 million. Just Pure Inc is a leading provider of state-of-the-art reverse osmosis water filtration systems for home and office use. A reasonable estimate of the financial effects of this transaction cannot be made at the date of signing of these financial statements.

On 1 April 2019 Angel Springs Limited acquired 100% of the share capital of Kingshill Mineral Water Limited ('Kingshill'), a company incorporated in the UK for $9.2 million. Kingshill provides bottled water to other water cooler rental companies, extracting water from their own well and has a wholly owned subsidiary, Cameron Water Limited, which provides bottle water coolers, bottled water and associated services to over 1,500 businesses. A reasonable estimate of the financial effects of this transaction cannot be made at the date of signing of these financial statements.

C11. Ultimate controlling party

The Company's immediate parent is Waterlogic Group Holdings Limited, a company incorporated in England and Wales. The ultimate controlling parties are EPIC Fund I SLP and EPIC Fund I Sidecar SLP, who hold the majority control. Waterlogic Group Holdings Limited is the smallest group which prepares consolidated accounts including the results of the Company. Waterlogic Group Holdings Limited is the largest group at which consolidated financial statements are available The registered office of Waterlogic Group Holdings Limited is 1 Grenfell Road, Maidenhead, Berkshire SL6 1HN.