

WATERLOGIC GROUP HOLDINGS LIMITED  
COMPANY NUMBER 09297208

- Parent Company accounts of Andrew's Water Treatment Limited (company number 06772267)
- Disclosure of exemption included on page 68

# Annual Report

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Year ended 31 December 2021

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# Waterlogic Group Holdings Limited

## Annual report and accounts 2021

### Strategic Report

#### Business model and strategy

Waterlogic Group's strategy ("Waterlogic" or the "Group") is to operate 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. The Group's strategy is to grow both organically and through the acquisition of complementary businesses that increase the geographic footprint of the Group and/or add new products to the Group's product portfolio.

#### Business activity

The Group made the following principal acquisitions during the year.

Date	Entities acquired	Total consideration (\$'000)	Description of business and territory
26 February 2021	Merus Refreshment Services	\$7,292	Supplier of POU and coffee machines and associated consumables based in South Carolina, USA
9 July 2021	Quality Water Services Holding LLC ("QWS") and six subsidiaries: Quality Water Service and Distribution Corp., Quality Coffee Service - Puerto Rico Corp., Quality Water Service Colombia S.A.S., Quality Coffee Service Colombia S.A.S., Quality Water Service Chile Spa and Quality Coffee Service Chile Spa	\$62,560	Supplier of POU and coffee machines and associated consumables based in San Juan, Puerto Rico; Bogota, Columbia; Santiago, Chile
1 October 2021	Merquip Limited	\$8,468	Supplier of POU machines based in Auckland, New Zealand
1 October 2021	MIW Office Solutions Limited	\$11,480	Supplier of Bottle Filling Stations ("BFS"), POU machines, bottled water coolers, outdoor fountains, and boilers based in Durham, England
30 November 2021	The WCD Group Holdings Limited and its subsidiaries (see note 33)	\$12,158	Supplier of POU machines, under sink chillers, water boilers and taps based in Gloucester, England
30 November 2021	Advanced Pure Water Solution	\$12,243	Supplier of POU machines based in California, USA
30 November 2021	Pure Touch LLC	\$19,674	Supplier of POU machines based in New York, USA
12 December 2021	Blue Reserve Inc	\$5,205	Supplier of POU machines and associated coffee consumables based in Massachusetts, USA
15 December 2021	L&B Water Solutions Limited	\$9,131	Supplier of POU machines and associated consumables based in Ohio, USA
23 December 2021	Home 2 Office (Watercoolers) Limited	\$5,623	Supplier of POU Machines and bottled water coolers and associated consumables based in Liverpool, England
30 December 2021	Aquamaq S.A.	\$1,809	Supplier of POU machines in Bogotá, Colombia
31 December 2021	The AquaPoint Limited	\$6,387	Supplier of POU machines and associated consumables based in North Yorkshire, England

## Strategic Report (continued)

The following table sets out aggregate spend on smaller acquisitions during 2021:

Date	Entities acquired	Total consideration (\$'000)	Description of businesses and territories
October - December 2021	North America	\$13,116	Suppliers of POU machines based in the USA (5) and Canada (1).
May - December 2021	Europe	\$13,472	Primarily suppliers of POU machines, but also coffee machines and associated consumables, located in UK (2), Finland, Portugal, Bulgaria, Sweden and Norway.

### Review of business

2021 was a year in which COVID-19 continued to impact many businesses, globally. Waterlogic was impacted to a lesser extent in 2021 by COVID-19 than 2020, and the continuing resilience of our recurring revenue Rental & Service model enabled us to deliver year-on-year growth in both Revenue and Adjusted EBITDA.

Our year-on-year recurring Rental & Service revenues growth of 14% reflected the 15% growth in our year end Machines in Field and with 23% higher direct, indirect and consumable sales, we delivered strong overall revenue growth of 16%. This revenue growth, coupled with effective ongoing cost controls related to the continuing impact of COVID-19 from 2020, enabled Waterlogic to deliver 19.4% year-on-year increase in Adjusted EBITDA in 2021. In 2021, our Adjusted EBITDA return on sales increased to 35.4%, up from 34.4% in 2020. This performance, in particular the resilience and growth of our core Rental & Service model, enabled us to successfully raise additional financing in 2021 (see 'Going concern basis' paragraph below). Waterlogic remains well positioned for future organic growth, complimented by acquisitions.

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	2021	2020
Revenue	5	\$426.9 million	\$368.0 million
Operating profit/(loss)	7	\$48.8 million	\$(55.7) million
Adjusted operating profit*	7	\$75.7 million	\$62.5 million
Adjusted EBITDA*	7	\$151.2 million	\$126.6 million
Machines in Field at year end		663,111	576,376

\* Adjusting items comprise: corporate reorganisation costs; acquisition and integration related costs; COVID-19 related costs; Group ERP implementation costs and losses/(gains) on foreign exchange movements. Adjusting items for operating profit also include amortisation of acquired intangibles. See note 7 for further details.

# Strategic Report (continued)

## Review of business (continued)

Revenue increased by 16% to \$426.9 million in 2021 through a combination of organic growth and growth through acquisitions in the year. The UK and mainland Europe revenue increased by 13%, due predominantly to an increase in consumable sales in the UK, which rebounded following the negative impact the pandemic had on UK consumable sales in 2020, and due to an increase in rental and service revenue in the region. The Nordics increased revenue by 21%, due largely to an increase in rental and service revenue in Sweden and an increase in sales to distributors in the region following the drop in demand that was experienced at the height of the pandemic in 2020. The acquisition of Mixtec Oy & Beverage Technology Services Finland Oy in Finland in 2021 added \$0.8 million to the Nordic revenues. North America revenue grew by 10%, despite revenue from distributors only increasing by 5% following the peak in the pandemic in 2020. This was due to a \$4.1 million increase in rental revenue resulting from strong organic MIF growth, partially driven by acquisitions. Australasia revenue increased by 20%, due to the strong return of direct sales in the region following the drop in sales in 2020 during the pandemic. The \$7.0 million increase in the revenue in the Rest of the World was mostly due to the impact of the acquisition of QWS in 2021, which added revenue of \$5.9 million.

The increase in the operating profit in 2021 of \$104.4 million was driven by the Gross Profit increase of \$32.5 million and a \$18.2 million increase in expenses offset by foreign exchange gains of \$46.1 million in 2021 compared to a loss of \$41.5 million in 2020. The primary driver of the foreign exchange gains in 2021 is the movement in the Euro exchange rate, which impacts external borrowings held in companies whose functional currency is GBP. The Administrative expenses increased year on year by \$17.1 million, due mainly to a \$13.3 million increase in employment costs related to bringing on employees from new acquisitions and the ending of furlough schemes that were operating in 2020, during the height of the pandemic. Also linked to the high level of acquisition activity in 2021 was an increase in the amortisation of acquired intangibles of \$6.9 million and an increase in acquisition and integration related costs of \$2.7 million. Partially offsetting these increases were \$9.0 million lower corporate restructuring costs, following the completion of the relocation of the US operations to a new single facility in Dallas Texas in 2020. ERP implementation costs decreased by \$1.9 million, following the successful implementation of the new ERP system roll out in Australia in September 2020, although the amortisation of intangibles increased by \$3.9 million, partly due to the new ERP system going live. There was a decrease of \$2.3 million of costs in 2021 related to the pandemic being booked to adjusting items, being predominantly due to the lower cost of employees on furlough that were borne by the Group. Other Administrative expenses increased by \$3.5 million, due to increases in IT costs, audit and accountancy and insurance.

Marketing costs were increased by \$1.2 million year on year as marketing activity increased post pandemic.

Adjusted operating profit grew by \$13.1 million from 2020 to 2021. This was driven by the UK and mainland Europe, which increased adjusted operating profit by \$19.3 million due to the 13% increase in revenue. North America decreased adjusted operating profit by \$4.1 million due to an increase in administrative expenses in 2021 resulting largely from higher customer relationship intangible amortisation due to the organic acquisition activity and higher employment costs linked to both acquisition activity and the business returning to more normal levels of activity post the pandemic. Australasia, the Nordics and the Rest of The World all generated higher adjusted operating profits combined of \$3.6 million in 2021 due mainly to higher revenues post pandemic, but these impacts were offset by higher central costs, up \$5.5 million in 2021. Adjusted EBITDA increased by \$24.6 million also due to the performance improvements noted above.

Machines in Field (MIF) increased by around 87,000 units in 2021. Of this increase, broadly 70,000 MIF were related to the acquisitions made in 2021 and the rest organic, as we maintained net MIF growth through the pandemic.

The Total assets of the Group increased by \$197.8 million during 2021. Acquisitions during the year added \$84.6 million of Goodwill to the Balance Sheet and \$117.6 million of Other Intangible Assets, notably Customer Relationships of \$107.6 million. The Group added \$58.6 million, net, Point of Use Dispensers during the year, including \$13.0 million through acquisitions, and \$22.1 million of Right Of Use Assets, including \$1.5 million through acquisitions. Other capital expenditure amounted to \$17.0 million, including \$1.9 million through acquisitions. Current Assets increased by \$17.6 million due to a \$24.6 million increase in Trade and other receivables and a \$16.8 million increase in inventories. Partially offsetting this was a \$24.4 million decrease in Cash and cash equivalents, following the significant acquisition activity undertaken during the year.

The Total liabilities of the Group increased by \$229.0 million during 2021. The bank and other borrowings increased by \$171.8 million, mainly to fund the acquisitions made during the year, while accrued interest due to related parties increased by \$31.0 million, with this interest being capitalised and added to principal borrowings due to the parent undertaking.

The consolidated income statement is set out on page 26 and the consolidated balance sheet on pages 28 and 29.

# Strategic Report (continued)

## Board of Director activities during 2021

During 2021 the Board of Directors ('The Board') made a number of key strategic decisions to drive the Group forward. The following were the key areas considered and decided upon by the Board during 2021:

- To proactively and effectively manage the business to minimise the impact of the COVID-19 pandemic on the Group's profits and cash flows;
- Protect and support our core capabilities, in particular our key people and machines in field, so we are well placed to accelerate growth activities when economies recover from the COVID-19 pandemic;
- To continue to complement organic growth with business acquisitions that help build shareholder value and then to ensure the successful integration of the acquired entities onto the existing operational platforms of the Group;
- To progress the Group's IT solutions;
- To secure new finance facilities to continue the acquisition strategy of the Group;
- To continue to invest in new and existing product development;
- To establish a European Distribution Centre;
- To agree to combine the Group with Culligan, subject to regulatory closing conditions; and
- To develop the Environmental, Social and Governance (ESG) strategy and the measurement of the Group's ESG credentials.

## Section 172 statement

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

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

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

## *Managing the continuing impact of the COVID-19 pandemic*

The Board made a number of key decisions during 2021 to:

- Continue to support the cash flow and position of the Group, through targeted and heightened credit control activities, tight internal control over discretionary spend, deferral of mergers and acquisitions (M&A) activity until the second half of the year and tight control of capital expenditure;
- Continue to support the Group's key customers, notably in the hospitality sector, and to provide touchless watercooler functionality for our customers;
- Protect employee jobs wherever possible, by accessing funds made available through various Government support schemes, including the use of furloughs where practicable;
- Protect employees well-being through clear communication, the continuation of work from home policies where necessary, the tight control over Group wide travel and the ongoing purchasing of personal protection equipment for employees required to operate in public and office environments;
- Ensure the continuation of supply of manufactured product to the Group's businesses and customers;
- Undertake safe remobilisation whenever lockdown restrictions were lifted and to set out ongoing measures that would be required if the situation persisted into 2022;
- Manage Group profitability through targeted redundancies, hiring and pay freezes and effective ongoing cost control in areas such as marketing and travel; and
- Continue to support local communities by, for example, providing free water units to pandemic field hospitals and COVID-19 testing stations in the UK.

Wherever possible, the decisions carefully weighed up the interests of the shareholders, the Group's customers and suppliers, the employees and the local communities within which the Group operates.

# Strategic Report (continued)

## Section 172 statement (continued)

### **Acquisitions**

The Group completed 25 acquisitions in 2021. The Board's acquisition strategy continues to be to complement organic growth with business acquisitions that add shareholder value, and to successfully integrate the acquired entities onto the existing operational platforms of the Group. As well as assessing forecast financial returns, the Board considers that acquisitions are value-adding when they increase MIF density in existing markets, or they expand Group operations into a new geography and/or they add a new strategic product to the Group's product portfolio. When making decisions on whether to acquire a specific business, the Board considers the quality of the target's customers and machines in field portfolio, the potential impact on any existing customer distributor base and reviews detailed post-acquisition integration plans. These will include assessing any potential impacts on the employees or other key stakeholders of the acquired entities. To ensure that the acquisitions perform to expectations, post-acquisition targets are set for all newly acquired businesses and potential synergies are identified and tracked against these targets.

Board approval is required prior to any significant acquisition and appropriate financial, legal, commercial, technical and other due diligence reviews are carried out and presented as part of the Board's approval process.

### **IT solutions**

The progress and risk profile of the ERP projects were reviewed by the Board during the regular Board Meetings in 2021.

The Board continues to focus on realising the benefits of ERP projects when they become live. These benefits include the automation, standardisation and establishment of repeatable, joined-up and 'right first-time' business processes. The go-lives have driven cost efficiencies, improved the interaction with both suppliers and customers and benefited the employees that use them, resulting in a simple, reliable, cohesive and 'effortless' experience. Importantly, the go-lives have significantly improved the internal consistency, quality, depth and breadth of data that is accessible to business unit management teams, functional heads and, ultimately, the Board. Key to this has been the immediate access to the 'cradle to the grave', accurate, operational and financial data, representing the life of every individual POU unit.

In addition, the Board expects that in future business acquisitions' integration will become more efficient, with established group wide processes, data models and cloud hosted infrastructure. The Group's systems' development is also expected to improve customer experience at newly acquired businesses and so also reduce customer churn in these businesses.

### **Financing facilities**

In order to continue the Group's strategy of complementing organic growth with business acquisitions and to minimise financing costs, the Board approved the re-financing of the existing facility in August 2021 (see 'Going concern basis' paragraph below).

### **Product development**

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

During 2021 the Research and Development team worked on a new high volume sparkling water unit, which would be specifically suited to the Group's Hotel, Restaurant and Cafe market, and further development was undertaken on contactless solutions that many customers benefited from during and will do beyond the COVID-19 pandemic.

# Strategic Report (continued)

## Section 172 statement (continued)

### **European Distribution Centre**

The Board decided in 2020 to implement the consolidation of all European warehouses into a central distribution hub in the Netherlands, which would be primarily supplied by the principal Group manufacturing operation located in Qingdao, China. As a result, the European Distribution Centre became fully operational in 2021, which resulted in a streamlined, scalable and cost efficient European supply chain mechanism. The European Distribution Centre will improve profitability and levels of working capital, and will also improve the delivery service to customers.

### **Factory relocation in China**

Towards the end of 2020 the Group was served notice by the Chinese authorities to vacate the principal Group manufacturing operation, located in Qingdao, China. In 2021, the Board identified a new site with the capacity to deliver significantly increased production. This additional capacity secures the manufacture and supply of products to the Group's customers and provides certainty and stability for the factory's suppliers. The location was also chosen to minimise the number of employees that would be unable to relocate to the new facility.

The relocation was successfully undertaken on time and the new facility became fully operational in July 2021.

In addition to the operational decisions taken on the relocation, the Board also considered the environmental opportunities of moving to a new site. As a result, the new site was registered on the Chinese Government's ESG web site, enabling the factory to work on initiatives towards achieving ISO 14001 in the future.

### **Key group commercial initiatives**

The Board implemented a number of key initiatives during 2021 to significantly improve Group profitability and to enhance the experience of both existing and potential customers of the Group. The initiatives included setting up and rolling out to Group employees the standardised and most effective ways of operating in strategically critical fields such as sales, operations and the retention of valued customers. These important initiatives were linked to specific quantifiable goals so that performance against those goals could be meaningfully measured.

### **Combination of Waterlogic with Culligan**

In H2 of 2021 the Board agreed to engage in a process of, subject to regulatory approvals and other customary closing conditions, combining the Group with Culligan. The proposed transaction with Culligan was considered by the Board to be beneficial to a range of key stakeholders, as it would:

- accelerate the delivery of sustainable commercial and consumer water solutions and services, by providing clean, safe and soft water to more than 100 million consumers globally. This combination would enhance internal efficiency and ultimately reduce costs so as to deliver improved profitability for the shareholders;
- be beneficial to the environment as it would potentially save more than 40 billion plastic bottles annually through sustainable water filtration, purification and treatment solutions;
- bring complementary footprints, product ranges and expertise to drive innovation in the development of new water filtration, purification and treatment solutions for the Group's customers;
- help deliver against the Group's United Nations Sustainable Development Goals and to meet the Group's Environmental, Social and Governance commitments;
- create more opportunities for the Group's ERP systems to be optimised, resulting in a better experience for the Group's suppliers, customers and employees that use the ERP systems; and
- settle the Group's external debt and provide secure additional long term funding for organic and acquisition led strategic growth.

The transaction, including transfer of ownership of the Group into the combined entity, is expected to close in the second half of 2022, subject to the receipt of regulatory approvals and the satisfaction of other customary closing conditions.

Until the transaction closes, both companies will continue to operate as business as usual, as two independent companies.

### **Environmental, social and governance (ESG) Initiatives**

The Board has placed ESG at the centre of Waterlogic's operational strategy, as it is at the core of the Group's proposition of 'Better thinking, better water, better for you, better for the planet'. As a result, our marketing literature and our products reflect the Group's commitment to reduce the overall carbon footprint of the Group and to make a tangible impact on reducing the world's use of single-use plastic drinking water bottles.

Our business purpose guides the decisions of the Board and the actions that the Group then takes. It helps ensure that we meet the needs of every community that we touch, and also the needs of our planet. The Group acts responsibly and with integrity, and in ways that are better for people and better for the planet.

# Strategic Report (continued)

## Section 172 statement (continued)

The Board has acted in 3 distinct areas:

- Reducing the Group's environmental impact and helping customers to achieve their own sustainability goals;
- Supporting health and well-being, building a rewarding culture and giving back to the community; and
- Ensuring effective oversight through sound corporate governance and measurement.

These actions are actively measured and the Group holds itself accountable in delivering its stated ESG goals, as evidenced in the annual publication of the 'Waterlogic ESG Report' (the 'ESG Report'). The ESG Report from 2020 was made fully available to the general public, to all our customers and to our investors through a dedicated ESG page on the Group's website. In addition, we distributed the ESG report's content through our social media marketing channels. We are proud of the 2020 ESG Report and believe it is industry leading. In addition, we showcased examples of what we have done as a Group around the world and reported the progress we have made compared to prior years and against both specific and consistent metrics. In 2022 we will publish the 2021 ESG Report, which will clearly demonstrate the progress we have made since 2020. Critically, we don't report on what we are going to do, we only report on what we have done.

Finally, we have linked our 2021 debt financing to our ESG objectives. With the help of HSBC, we have negotiated a banking facility to potentially reduce the interest payments on our debt by 7.5 bps in return for delivering specific ESG targets. These targets are, principally, the reduction in the CO2 that the Waterlogic platform produces and an increase in the number of single-use plastic drinking water bottles that the Waterlogic machine base helps remove from the environment. The negotiated debt facility was innovative and a first for our industry. As a result, HSBC showcased the facility mechanism to its broader organisation and the Waterlogic CCO, Mark Taylor, presented at an internal HSBC Town Hall meeting in 2021, educating the bank's population on what Waterlogic did and how we have successfully placed ESG at the heart of our core business.

The Waterlogic Board remains firmly committed to the ESG agenda and firmly believes that the whole ESG area will become even more relevant for customers, employees and investors as the push towards a net zero environment intensifies.

### 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.

#### **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
<b>Acquisitions and Integration</b>		
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.	<p>Board approval is required prior to any significant transaction and appropriate financial, legal, technical and other due diligence reviews are carried out.</p> <p>The Group continues to take steps to strengthen its post-acquisition integration planning.</p> <p>Targets are set for all newly acquired businesses and potential synergies are identified and tracked.</p>	<p>The performance of acquired businesses against defined targets is closely monitored.</p> <p>Post-acquisition reviews are carried out to assess the extent to which expectations set out in the original Board proposals have been realised.</p>



## Strategic Report (continued)

### Principal risks and uncertainties (continued)

Description	Mitigation	Risk monitoring
<b>Technology, innovation and intellectual property</b>		
<p>Researching and developing new products is complex, costly and time-consuming.</p> <p>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.</p> <p>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.</p>	<p>The Group continues to invest in research and development of new technologies.</p> <p>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.</p> <p>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.</p>	<p>The development of new products and technologies is closely monitored. Development initiatives are driven from commercial teams, are reviewed by the Product Development committee and committed in the light of Group strategic priorities.</p>

# Strategic Report (continued)

## Principal risks and uncertainties (continued)

Description	Mitigation	Risk monitoring
<b>Manufacturing</b>		
<p>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.</p> <p>Any disruption to manufacturing operations and/or inbound or outbound supply chains could extend delivery lead times. <i>Disruption can also be caused by political change or uncertainty, which extends to the imposition of tariff changes on cross border supplies of goods. In addition, external factors such as the COVID-19 pandemic can have an impact on the manufacturing facilities ability to maintain supply levels to the Group.</i></p> <p>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.</p>	<p>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.</p> <p>The Group opened the manufacturing facility in Dallas USA in 2020 which continues to provide additional manufacturing capacity and flexibility for the Group. In addition, it provides complementary manufacturing capacity if there were issues with the supply chain or other matters in China.</p> <p>The recruitment of the Group Chief Operating Officer, Dominic Shorrocks, in 2020 increased the focus on managing supply chain risk and stock management within the Group. One of the actions during 2021 was the opening of a European Distribution Centre in the Netherlands, managed by a third party provider. This facility provides the European businesses with the benefits of lower stock holdings, shorter lead times and buffer stock when required.</p>	<p>Supplier quality and performance is closely monitored. Materials costs and labour productivity are closely monitored.</p> <p>Inventory levels at subsidiaries are carefully monitored centrally in order that potential shortages around the Group can be managed by transferring inventory between subsidiaries.</p>
<b>Product reputation and product liability</b>		
<p>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.</p>	<p>The Group's products incorporate a range of design and technical features that reduce the risk of contamination in the course of normal use.</p> <p>The Group operates rigorous quality assurance and control procedures both during manufacturing and prior to delivery/installation of its products.</p> <p>Recommended maintenance procedures ensure cleanliness and hygiene.</p> <p>The Group also maintains public and product liability insurance against liabilities to third parties.</p>	<p>Product quality is constantly monitored through the Group's review of supply chain partners, production Quality Assurance and Pre-delivery processes.</p>

# Strategic Report (continued)

## Principal risks and uncertainties (continued)

Description	Mitigation	Risk monitoring
<b>Continuity of supply and quality of water</b>		
<p>The provision and quality of natural mineral water is essential for the bottled water business, predominantly in the UK.</p> <p>There is a risk that the Group could fail to meet demand during peak summer periods.</p> <p>The Group is also exposed to quality of supply risk.</p> <p>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.</p>	<p>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.</p> <p>Relationships with second-string suppliers are maintained to further strengthen the Group's ability to ensure continuity of supply during peak periods of demand.</p> <p>The Group's policy is to purchase from British Water Cooler Association ("BWCA") accredited suppliers wherever possible.</p> <p>Part of the rationale for acquiring Kingshill Mineral Water Limited in 2019 was to secure supplementary supply of bottled water.</p>	<p>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.</p>
<b>Funding and liquidity</b>		
<p>At 31 December 2021 the Group had a \$905.4 million banking facility (2020: \$839.1 million) of which \$904.1 million had been drawn down (2020: \$794.1 million).</p> <p>There is a risk that the Group could fail to fulfil its obligations as they fall due.</p> <p>The Group is also exposed to interest rate risk.</p>	<p>Robust cash forecasting and measurement and centralised cash management procedures are in place.</p> <p>During 2021 the Board approved the refinancing of its existing SFA in order to give additional capacity for accretive acquisition activity. This resulted in the drawdown of \$800 million of term loans and upsized the Group's RCF to \$125 million. The funds were used to repay the existing facilities of \$769m, pay the fees associated with the refinancing and put cash on the balance sheet to fund future acquisition activity.</p> <p>The Group maintains a multi-purpose Revolving Credit Facility ("RCF"), with \$1.3 million undrawn at year end 2021.</p> <p>The Group's RCF was extended to provide a further \$85 million borrowing facility in April 2022.</p>	<p>Cash flow forecasts are monitored weekly against actual performance.</p> <p>We work closely with our shareholders and lenders to ensure adequate financing facilities are in place, including funding for significant acquisitions.</p>

# Strategic Report (continued)

## Principal risks and uncertainties (continued)

Description	Mitigation	Risk monitoring
<p><b>ERP Solution Roll out</b></p> <p>During 2017 the Group embarked on the development of an integrated ERP solution, project Nexus. Nexus ERP is designed to transform the Group's operational efficiency and the accuracy, breadth, depth and strategic relevance of business information within the Group. It also enables a more cohesive customer experience, as all functions reference the same data.</p> <p>The primary risk is that the ERP solution does not meet these objectives following initial implementation in 2020 in Australia.</p> <p>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 profits and therefore there is a risk that the anticipated benefits do not achieve the expected levels.</p>	<p>The Directors appointed a Transformation Director in 2019 to manage the ERP development project and the associated costs. During 2020, the Nexus teams established further in-house capabilities, with a number of experienced employees moving into Nexus programme roles and recruited new employees with specific capabilities. These Group managers and employees direct the programme and work closely with an established group of contractors.</p> <p>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.</p> <p>The project has a detailed annual cost budget, which the Transformation Director controls spend against and is regularly reviewed by the Steering Committee.</p>	<p>ERP implementations took place in the USA in May 2020 and in Australia in September 2020. These businesses successfully operated on their new ERP systems from go-live and the performance and output of these systems is closely monitored by local &amp; Group management. The UK business commenced the process of implementation in 2021 with a go-live implemented at the start of April 2022.</p> <p>The progress and risk profile of the ERP project is reviewed by the Directors during the regular Board Meetings.</p>
<p><b>Exchange rates</b></p> <p>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.</p> <p>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 Pounds sterling exchange rate.</p> <p>The financing loans advanced by Castik Capital are denominated in a non-functional currency (Euros) for the Group and therefore present an Income Statement and Balance Sheet exposure to movement in the Euro.</p>	<p>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.</p> <p>Foreign exchange exposures on trading transactions are monitored and forward contracts are used when appropriate.</p> <p>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.</p>	<p>The Income Statement impact of foreign exchange gains and losses is monitored and reported on a monthly basis.</p>

# 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

As the world manages the COVID-19 crisis there is likely to be a continued but limited impact on the Group's finances. Throughout 2020 and 2021 the Group has proved the robust nature of its business model with its ability to manage cash and flex the cost base as required while protecting the customer base.

The Directors have modelled the reasonably possible worst-case scenario, which covers a period of at least 12 months from the date of signing these financial statements. This model includes an overall decrease in revenue compared to the 2022 budget, with an associated reduction in costs and capital expenditure.

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 37 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.

At the year-end the Group had net debt of \$1,283.8 million (2020: \$1,082.6 million), of which \$400.9 million was due to the shareholder (2020: \$348.5 million), with a committed and unutilised revolving credit facility of \$1.3 million (2020: \$45.0 million). Net liabilities were \$302.8 million (2020: \$267.5 million). None of the Group's main loan facilities drawn down and included in the net debt figure above are re-payable within the next 12 months. The Group had net current assets of \$57.6 million at 31 December 2021 (31 December 2020: \$86.8 million) including cash and cash equivalents of \$59.7 million (31 December 2020: \$84.1 million). The various bank loans held were subject to a covenant relating to leveraging. This was the only covenant in place, and this was met during the period. Given the significant headroom the Group currently has on this covenant, and the rental business model of the Group which drives considerable repeating and recurring revenue, it is expected that the covenant will continue to be met for the foreseeable future. This is supported by the results of the reasonably possible worst-case scenario set out above, in which the covenant is met at all relevant test dates.

Having reviewed the reasonably possible worst-case scenario forecasts for the coming year, and considering the implications of the Culligan transaction, 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 manage the business conservatively through the ongoing COVID-19 pandemic, and subsequent periods, and will pursue the strategies of growing the recurring rental base and achieving growth both organically and through strategic acquisitions.

Organic growth opportunities, which deliver significant ESG benefits to both our customers and more generally, include further growing the core POU proposition, with opportunities to convert Bottled Water dispensers expected to increase post COVID-19, capitalising on Firewall technology's proven anti-bacterial benefits and expanding other propositions, such as the Hotels, Restaurants and Catering (HoReCa) offering. Acquisition based growth will include building greater density in existing markets and accelerating growth in new markets.

## Approval

This report was approved by the Board of Directors on 29 April 2022 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 2021.

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 37 to the financial statements.

## Dividends

The Board does not propose a dividend for the year (2020: \$nil). The dividend policy continues to be reviewed periodically by the Board.

## Capital structure

In May 2021, the Company created a new class of shares, being B Ordinary Shares (the "Growth Shares") and offered these Growth Shares to selected employees of the Company, more detail regarding the issue of these shares can be found in note 29.

Details of the issued share capital of the Company are shown in note 29. The Company has two classes 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 the dedicated product development teams based in Australia and China. The amounts expensed and capitalised in relation to research and development activity are shown in notes 7 and 16 respectively.

## Directors

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

Jeremy Ben-David – Group Chief Executive Officer;

Huw Jenkins – Group Chief Finance Officer;

Mark Taylor – Group Chief Commercial Officer; and

Dominic Shorrocks – Group Chief Operating Officer.

## 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 and engagement

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. The UK businesses has ongoing training on supporting Mental Health in the work-place and a number of employees have received training on becoming Mental Health First Aiders. The Group has also focused on raising awareness and support of mental health issues as they can impact on employees at key points in their lives.

As set out above, the Company also issued Growth Shares to selected employees of the Company during the year in order to drive further engagement.

The interests of employees are taken into account by the Board, as set out in the Section 172 statement in the Strategic Report.

## Directors' report (continued)

### Energy and Carbon consumption

During 2021 the UK businesses combined consumed 1,802 cubic tonnes of CO<sub>2</sub> (2020: 1,661 cubic tonnes of CO<sub>2</sub>) as a result of their commercial activities. This equates to an aggregate quantity of energy consumed of 519,796 KWh of electricity (2020: 446,195 KWh) and 533,678 litres of diesel (2020: 388,819 litres). The CO<sub>2</sub> emissions in 2021 were 0.020 Kg per \$1 of revenue in the UK (2020: 0.020 Kg).

Emissions of CO<sub>2</sub> during the year were as follows:

	Scope*	2021 Tonnes	2020 Tonnes
Gas and LPG	1	179	106
Petrol and diesel	1	1,388	1,012
<b>Total – Scope 1</b>		<b>1,567</b>	<b>1,118</b>
Electricity	2	183	157
<b>Total – Scope 2</b>		<b>183</b>	<b>157</b>
Air travel	3	52	386
<b>Total – Scope 3</b>		<b>52</b>	<b>386</b>
<b>Total tonnes of CO<sub>2</sub></b>		<b>1,802</b>	<b>1,661</b>

\*Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company. Scope 3 includes all other indirect emissions that occur in the company's value chain.

2021 was a challenging year as a result of the ongoing Coronavirus Pandemic. During the year there were a number of national and international 'lockdowns' across the globe. The business, however, remained resilient throughout the year.

In its continuing response to the 'climate emergency' the Group encouraged and educated its employees and customers regarding the use of single-use plastic bottles and cups, replacing them with eco-friendly cups and reusable water bottles. In so doing it is estimated that during 2021 the Group contributed to over 20 billion single-use plastic bottles being removed from circulation through the provision of mains-fed dispensers.

The Group was highly acquisitive during 2021, with businesses acquired in new geographical areas such as Finland, Bulgaria, New Zealand, Puerto Rico and Portugal. The Group has started to report on the ESG performance of all newly acquired businesses and ESG is at the heart of the Waterlogic product proposition and the Group actively references and promotes ESG as part of new customer acquisition strategy as well as with our existing customers.

In June 2021 our new state-of-the-art 25,000m<sup>2</sup> factory was opened in China. The China factory is a zero emissions manufacturing operation, meaning it is even more energy efficient and kinder to workers and the environment with improved thermal building insulation, LED lighting, water recycling, clean air filtration, recycling scheme and increased use of reusable plastic boxes and pallets. The factory has been registered with the Chinese Government website as being compliant for ESG which has given a much-needed boost to the attainment of ISO 14001 certifications.

### Political contributions

The Group did not make any contributions to political organisations in the year (2020: \$nil).

### Financial risk management objectives

Details of financial risk management objectives are set out in note 37.

### 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.

### Post balance sheet events

Details of significant events since the balance sheet date are contained in note 38 to the financial statements.

## Directors' report (continued)

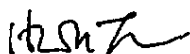
### Auditor

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 has expressed its willingness to continue in office as auditor. Pursuant to Section 487 of the Companies Act 2006, the auditor 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*  
29 April 2022

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 group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The group financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB. The directors have elected to prepare the parent 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').

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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

# Independent auditor's report

to the members of Waterlogic Group Holdings Limited

## Report on the audit of the financial statements

### 1. 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 31 December 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (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; and;
- the related notes 1 to 40 and C1 to C11.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, United Kingdom adopted international accounting standards and IFRS as issued by the IASB. 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

### 2. 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 as applied to listed entities, 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.

# Independent auditor's report

to the members of Waterlogic Group Holdings Limited (continued)

## 3. Summary of our audit approach

<b>Key audit matters</b>	<p>The key audit matter that we identified in the current year was:</p> <ul style="list-style-type: none"><li>• The valuation of the customer relationship intangible asset arising from the acquisition of Quality Water Service Holdings LLC, with particular focus on the EBIT assumptions; including margin and revenue growth used within the valuation models across the Columbian, Chilean and Puerto Rican CGU's.</li></ul>
<b>Materiality</b>	<p>The materiality that we used for the group financial statements was \$6.0m which was determined on the basis of 4.0% of adjusted earnings before exceptional items, interest, tax, depreciation and amortisation ('AEBITDA'). This is adjusted to include Covid-19 costs.</p>
<b>Scoping</b>	<p>We have performed full scope audit procedures on 9 key business units – including entities within UK, USA, Germany, Australia, China, France, Norway, Sweden, and Ireland. In addition, a further 4 holding and finance companies within the Group were subject to specified audit procedures. Our full scope and specified audit procedures covered 80% of revenue, 91% of AEBITDA and 79% of net liabilities.</p>
<b>Significant changes in our approach</b>	<p>We have identified a new key audit matter relating to the valuation of the customer relationship intangible asset arising from the acquisition of Quality Water Service Holdings LLC.</p> <p>We have also removed two key audit matters from the prior year:</p> <ul style="list-style-type: none"><li>• The impairment of goodwill and other acquired intangible assets is no longer a key audit matter as the level of headroom has significantly increased as a result of a transaction which exchanged in December 2021 as detailed within the Strategic report.</li><li>• The recoverability of trade receivables in the US and the UK is no longer a key audit matter as the impact of Covid-19 on customers is no longer as unpredictable resulting in a lower level of judgement in the recoverability of the receivables balance, and the additional risk relating to the 2020 system migration within the US is no longer applicable as the migration was completed within 2020.</li></ul>

## 4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of Management's forecasting process for the business;
- Assessing Management's forecast for the twelve month period from the date of signing and assessing the level of liquidity and covenant headroom throughout the forecast going concern period for a scenario in which the transaction exchanged in December 2021 as disclosed in the strategic report takes place, and a scenario in which this transaction does not complete;
- Challenging and assessing the key assumptions in the forecasts, including future revenue growth and EBITDA margin forecasts, for reasonableness by comparison against historic performance and performance in 2022 to date;
- Checking the clerical accuracy of Management's forecast model;
- Inspecting finance agreements including covenant terms to obtain an understanding of the current position in relation to the group's financial covenants;
- Recalculating the year-end covenant position and comparing this to the requirements per the facilities agreement;
- Assessing Management's sensitivity analysis and break case scenario; and
- Assessing the appropriateness of the going concern disclosures in the financial statements

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

# Independent auditor's report

to the members of Waterlogic Group Holdings Limited (continued)

## 5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### 5.1. Valuation of the customer relationship intangible asset arising from the acquisition of Quality Water Service Holdings LLC, with particular focus on the EBIT assumptions used within the valuation models across the Colombian, Chilean and Puerto Rican CGU's.

#### Key audit matter description

As part of the acquisition of Quality Water Service Holdings LLC, an intangible asset for customer relationships of \$28.5m was recognised. Under IFRS 3 intangible assets acquired as part of a business combination should be recognised at fair value. The fair value of the customer relationships is determined by estimating the future cash flows to be realised as a result of acquiring the customer relationships. The model used was based on projected EBITDA with adjustments for taxation and capital expenditure.

The fair value of the customer relationship is an inherently judgemental area, which is susceptible to management bias, and therefore the risk associated with the valuation of the asset is increased. The key judgements are as follows:

- The growth assumptions used within the model, including revenue growth, projected margins and churn rate. The acquired entity has business divisions within Chile, Puerto Rico and Columbia, these are new markets for the group which increase the judgement in these key assumptions.

Our key audit matter is focused on the most sensitive assumptions within the model used, which is the future projected EBIT margins combined with revenue growth assumptions.

Further details are disclosed in Note 3 and Note 33 of the financial statements.

#### How the scope of our audit responded to the key audit matter

Our response to the key audit matter included:

- Obtaining an understanding of the relevant controls over the EBIT assumptions used within the customer relationship valuation model;
- We challenged management's key EBIT assumptions used within their valuation model with reference to third party data, assessment of historic forecasting accuracy, and post-acquisition performance;
- Performing our own sensitivity analysis on the assumptions used in the calculation; and
- Assessing the appropriateness of the disclosure in the financial statements.

#### Key observations

We concur with management that the customer relationship intangible asset recognised as part of the acquisition of Quality Water Service Holdings LLC, has been recognised at fair value, based on a discounted cash flow model using assumptions considered reasonable at the date of acquisition. We consider the disclosures in the financial statements at 31 December 2021 to be appropriate.

# Independent auditor's report

to the members of Waterlogic Group Holdings Limited (continued)

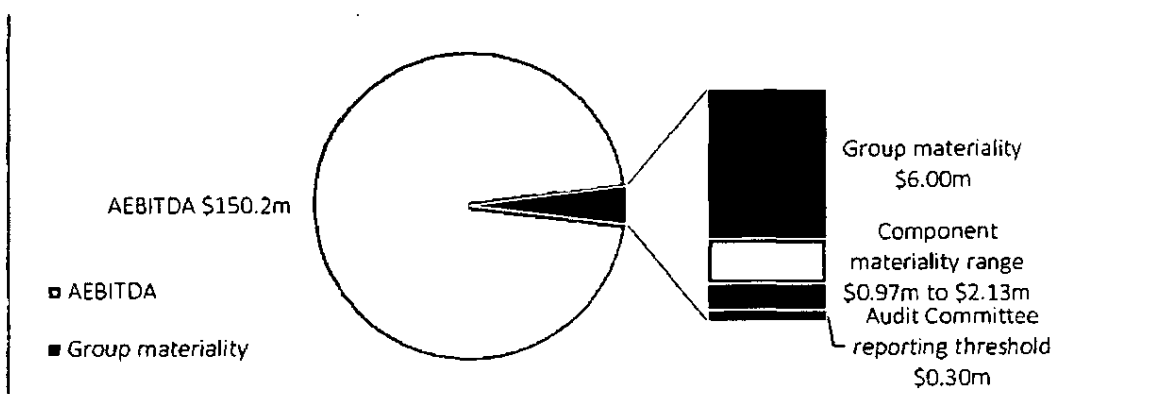
## 6. Our application of materiality

### 6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
<b>Materiality</b>	\$6.00m (2020: \$4.89m)	\$0.80m (2020: \$0.73m)
<b>Basis for determining materiality</b>	4.0% of adjusted EBITDA. (2020: 4.0% of adjusted EBITDA) Details of adjustments made and a reconciliation between adjusted EBITDA and operating profit has been set out in Note 7. In arriving at the adjusted EBITDA used in determining materiality, we have not excluded Covid-19 costs.	3.0% of net assets (2020: 3.0% of net assets)
<b>Rationale for the benchmark applied</b>	The adjusted EBITDA metric (excluding Covid-19 costs) has been used as a benchmark for group materiality as we consider this to be the key focus of determining performance of the group across the key stakeholders.	Net assets has been chosen as a benchmark as it is considered the most relevant benchmark for investors and is a key driver of shareholder value.



# Independent auditor's report

to the members of Waterlogic Group Holdings Limited (continued)

## 6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
<b>Performance materiality</b>	70% (2020: 70%) of group materiality	70% (2020: 70%) of parent company materiality
<b>Basis and rationale for determining performance materiality</b>	In determining performance materiality, we considered the following factors: a. our risk assessment, including our assessment of the group's overall control environment and the impact of COVID-19 on the control environment; and b. our past experience of the audit, which has indicated a low number of uncorrected misstatements identified in prior periods.	

## 6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of \$0.30m (2020: \$0.24m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## 7. An overview of the scope of our audit

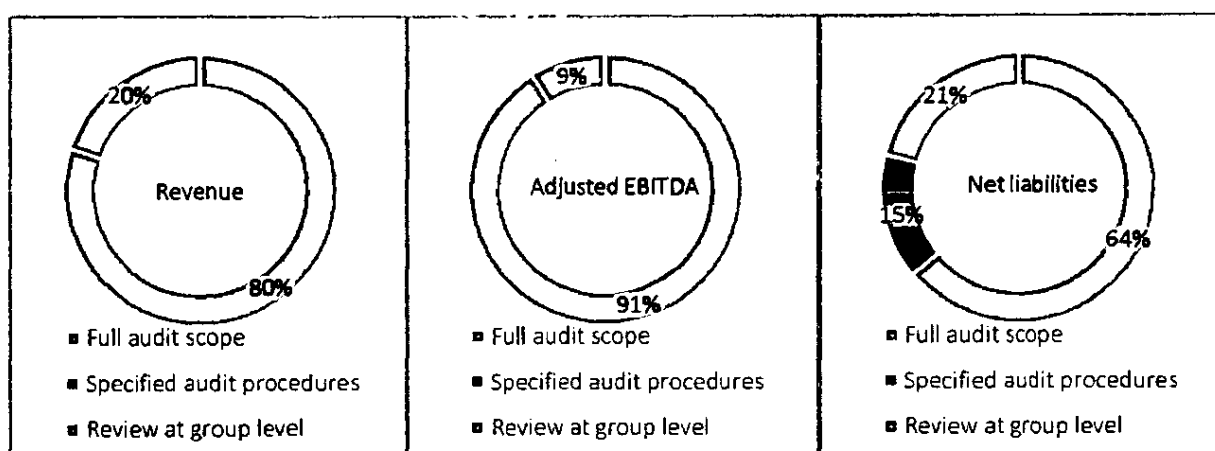
### 7.1. Identification and scoping of components

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls and assessing the risks of material misstatement at the group level. Based on that assessment, we have performed full scope audit procedures on 9 key business units – including components within UK, USA, Germany, Australia, China, France, Norway, Sweden and Ireland. In addition, a further 4 holding and finance companies within the Group were subject to specified audit procedures where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the group's operations within those entities.

These locations, incorporating those covered by specified audit procedures, account for 80% (2020: 75%) of the group's revenue, 91% (2020: 76%) of the group's adjusted EBITDA and 79% (2020: 94%) of net liabilities. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Component materiality ranged from \$0.80m to \$2.13m (2020: \$0.73m to \$1.90m).

At the group level, we also tested the consolidation process, impairment of goodwill and long lived assets, accounting for leases, accounting for acquisitions and related balances, borrowings and intercompany balances and transactions.

We also carried out analytical procedures to support our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.



# Independent auditor's report

to the members of Waterlogic Group Holdings Limited (continued)

## 7.2. Working with other auditors

The group audit team continued to follow a programme of oversight that has been designed so that the Senior Statutory Auditor and/or a senior member of the group audit team reviews overseas components selected by the Senior Statutory Auditor based on her judgement. Again in the current year, we could not visit any overseas locations due to the current travel restrictions as a result of the COVID19 pandemic. In 2019 we visited two overseas locations being, the US and Germany in addition to the UK business unit. Whilst we were unable to visit in this year and the previous year, we were involved in the work our components performed and reviewed the audit files of our largest components, being the UK, Australia, Germany, China and France. Further, we performed the audit of US component from the UK. Every year, regardless of whether we have visited or not, we include the component audit partner and other senior members of the component audit team in our team briefing, discuss their risk assessment and review documentation of the findings from their work.

Working remotely, we exercised close supervision and oversight of our component audit teams through the performance of the following procedures:

- Sent detailed instructions to all component audit teams outlining the specified procedures above;
- We remotely reviewed supporting working papers prepared by all significant components, in addition to non-significant components with the highest risk and related deliverables submitted to us by all components; and
- Calls were held with the component teams at the end of their audit procedures, to discuss matters raised.

## 8. Other information

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

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

# Independent auditor's report

to the members of Waterlogic Group Holdings Limited (continued)

## 9. 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.

## 10. 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## 11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

### 11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the valuation of intangible assets as part of business combinations, in particular the key estimates included within the customer relationship intangible recognised as part of the Quality Water Services Holdings LLC. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.



# Independent auditor's report

to the members of Waterlogic Group Holdings Limited (continued)

## 11.2. Audit response to risks identified

As a result of performing the above, we identified the Valuation of the customer relationship intangible asset arising from the acquisition of Quality Water Service Holdings LLC, with particular focus on the EBIT margin and revenue growth assumptions used. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and both in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- We engaged a specialist to support our risk assessment relating to the fraud risk present due to the transaction announced in December 2021 as referenced within the Strategic report, and assist in designing an appropriate response to the risk identified.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

## 12. 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 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.

## 13. Matters on which we are required to report by exception

### 13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

### 13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

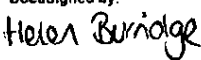
We have nothing to report in respect of this matter.

## Independent auditor's report

to the members of Waterlogic Group Holdings Limited (continued)

### 14. 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.

DocuSigned by:  
  
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**Helen Burridge (Senior statutory auditor)**

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

29 April 2022

# Consolidated income statement

for the year ended 31 December 2021

		Year ended 31 December	
	Note	2021 \$'000	2020 \$'000
<b>Continuing operations</b>			
Revenue	5	426,929	367,955
Cost of sales		(187,000)	(160,562)
Gross profit		239,929	207,393
Administrative expenses		(232,986)	(215,923)
Distribution expenses		(327)	(385)
Marketing expenses		(5,897)	(4,729)
Other gains and losses	8	48,092	(42,047)
Share of results of joint venture	19	(56)	-
<b>Operating profit/(loss)</b>	7	<b>48,755</b>	<b>(55,691)</b>
Adjustment for the effect of:			
Corporate reorganisation costs	7	8,801	17,822
Acquisition and integration related costs	7	10,506	7,851
Amortisation of acquired intangibles	7	42,824	35,930
COVID-19 related costs	7	1,370	3,715
Group ERP implementation costs	7	9,511	11,362
Foreign exchange (gains)/losses	7	(46,113)	41,548
<b>Adjusted operating profit</b>		<b>75,654</b>	<b>62,537</b>
Finance income	9	65	63
Finance costs	10	(91,058)	(62,090)
<b>Loss before tax</b>		<b>(42,238)</b>	<b>(117,718)</b>
Income tax credit/(charge)	13	5,405	(386)
<b>Loss for the year</b>	7	<b>(36,833)</b>	<b>(118,104)</b>
<b>Loss attributable to:</b>			
Owners of the Company		(36,833)	(118,104)
		(36,833)	(118,104)

# Consolidated statement of comprehensive income

for the year ended 31 December 2021

	Note	Year ended 31 December	
		2021 \$'000	2020 \$'000
<b>Loss for the year</b>	<b>7</b>	<b>(36,833)</b>	<b>(118,104)</b>
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Cash flow hedges: gains arising during the period	37	-	802
Exchange differences on translation of foreign operations		(7,148)	(11,968)
Income tax relating to items that may be reclassified		-	(173)
<b>Other comprehensive expense for the year</b>		<b>(7,148)</b>	<b>(11,339)</b>
<b>Total comprehensive expense for the year</b>		<b>(43,981)</b>	<b>(129,443)</b>
<b>Total comprehensive expense attributable to:</b>			
Owners of the Company		(43,981)	(129,443)
		<b>(43,981)</b>	<b>(129,443)</b>

# Consolidated balance sheet

as at 31 December 2021

	Note	2021 \$000	2020 \$000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	15	395,035	324,333
Other intangible assets	16	417,753	333,215
Property, plant and equipment	17	167,493	149,648
Right-of-use assets	17	45,237	40,512
Interests in joint ventures	19	337	-
Deferred tax asset	24	4,083	1,994
<b>Total non-current assets</b>		<b>1,029,938</b>	<b>849,702</b>
<b>Current assets</b>			
Inventories	20	57,721	40,968
Trade and other receivables	21	98,367	73,789
Contract costs	21	4,703	3,663
Derivative financial instruments	23, 37	-	434
Cash and cash equivalents	34	59,710	84,093
<b>Total current assets</b>		<b>220,501</b>	<b>202,947</b>
<b>Total assets</b>		<b>1,250,439</b>	<b>1,052,649</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	29	73,801	61,760
Share premium	30	491	-
Translation reserve	31	(5,243)	1,905
Hedging reserve	31	325	325
Other reserves	31	152	152
Share based payments reserve	11, 31	285	-
Retained earnings	32	(368,515)	(331,682)
<b>Equity attributable to Shareholders</b>		<b>(298,704)</b>	<b>(267,540)</b>
<b>Total equity</b>		<b>(298,704)</b>	<b>(267,540)</b>

# Consolidated balance sheet (continued)

as at 31 December 2021

	Note	2021 \$'000	2020 \$'000
<b>EQUITY AND LIABILITIES continued</b>			
<b>Non-current liabilities</b>			
Borrowings:			
– bank and other borrowings	22	1,286,943	1,123,897
– lease liabilities	22, 25	35,018	30,031
<b>Total borrowings</b>		<b>1,321,961</b>	<b>1,153,928</b>
Deferred tax liability	24	61,347	44,319
Provisions	27	1,585	1,897
Deferred consideration	28, 33	1,352	3,925
Other long-term obligations		8	9
<b>Total non-current liabilities</b>		<b>1,386,253</b>	<b>1,204,078</b>
<b>Current liabilities</b>			
Trade and other payables	26	80,828	67,276
Borrowings:			
– bank and other borrowings	22	9,077	367
– lease liabilities	22, 25	12,463	12,388
<b>Total borrowings</b>		<b>21,540</b>	<b>12,755</b>
Current tax liabilities		5,555	5,114
Provisions	27	3,121	2,303
Deferred revenue		28,537	26,548
Derivative financial instruments	23, 37	-	-
Deferred consideration	28, 33	23,309	2,115
<b>Total current liabilities</b>		<b>162,890</b>	<b>116,111</b>
<b>Total liabilities</b>		<b>1,549,143</b>	<b>1,320,189</b>
<b>Total equity and liabilities</b>		<b>1,250,439</b>	<b>1,052,649</b>

The consolidated Financial Statements were approved by the Board of Directors and authorised for issue on 29 April 2022 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 2021

	Note	Share capital \$'000	Share premium \$000	Translation reserve \$'000	Hedging reserve \$'000	Other reserves \$'000	Share based payments reserve \$000	Retained earnings \$'000	Total \$'000
<b>Balance at 1 January 2020</b>		58,431	-	13,873	(304)	152	-	(213,578)	(141,426)
Loss for the year		-	-	-	-	-	-	(118,104)	(118,104)
Other comprehensive (expense)/income		-	-	(11,968)	629	-	-	-	(11,339)
<b>Total comprehensive (expense)/income</b>		-	-	(11,968)	629	-	-	(118,104)	(129,443)
Shares issued in the year	29	3,329	-	-	-	-	-	-	3,329
<b>Balance at 1 January 2021</b>		61,760	-	1,905	325	152	-	(331,682)	(267,540)
Loss for the year		-	-	-	-	-	-	(36,833)	(36,833)
Other comprehensive (expense)/income		-	-	(7,148)	-	-	-	-	(7,148)
<b>Total comprehensive (expense)/income</b>		-	-	(7,148)	-	-	-	(36,833)	(43,981)
Shares issued in the year	29	12,041	491	-	-	-	-	-	12,532
Share based payments credit	11, 31	-	-	-	-	-	285	-	285
<b>Balance at 31 December 2021</b>		<b>73,801</b>	<b>491</b>	<b>(5,243)</b>	<b>325</b>	<b>152</b>	<b>285</b>	<b>(368,515)</b>	<b>(298,704)</b>

# Consolidated cash flow statement

for the year ended 31 December 2021

	Note	Year ended 31 December	
		2021 \$'000	2020 \$'000
Loss after tax for the year		(36,833)	(118,104)
Adjustments:			
– depreciation and amortisation		116,967	99,010
– income tax (credit)/charge	13	(5,405)	386
– net interest expense and changes in the fair value of derivative financial instruments		90,993	62,027
– loss/(profit) on disposal of non-current assets		166	(130)
– share of loss of equity accounted joint ventures		56	-
– share-based payment expense	11	285	-
– contingent consideration adjustments		(2,334)	34
– foreign exchange movements	8	(46,113)	41,548
Adjusted operating cash flow before working capital movements		117,782	84,771
Net effect of working capital movements	34	(24,518)	5,963
Cash flow before purchase of rental assets, interest and tax		93,264	90,734
Purchases of rental assets		(52,594)	(40,502)
Proceeds on disposal of rental assets		776	788
Interest paid on leased assets		(2,651)	(2,375)
Other interest paid		(32,322)	(27,865)
Tax paid		(3,312)	(4,587)
<b>Net cash from operating activities</b>		<b>3,161</b>	<b>16,193</b>
<b>Investing activities</b>			
Interest received		66	62
Proceeds on disposal of property, plant and equipment		1,515	2,938
Purchases of property, plant and equipment		(8,195)	(6,109)
Purchases of intangible assets		(27,320)	(17,244)
Acquisitions, net of cash acquired	33	(159,824)	(19,971)
Deferred consideration paid		(1,984)	(841)
Investment in joint venture		(387)	-
<b>Net cash used in investing activities</b>		<b>(196,129)</b>	<b>(41,165)</b>
<b>Financing activities</b>			
Proceeds from the issue of new shares (net of costs)	29, 30	12,532	-
New bank loans and other borrowings raised		945,356	145,828
Repayment of bank loans and other financing		(771,306)	(47,476)
Repayment of lease liabilities		(15,783)	(13,961)
Payment of derivative financial instruments		-	(68)
<b>Net cash from financing activities</b>		<b>170,799</b>	<b>84,323</b>
Translation differences		(2,214)	1,257
Net (decrease)/increase in cash and cash equivalents		(24,383)	60,608
Net cash and cash equivalents at beginning of year		84,093	23,485
<b>Net cash and cash equivalents at end of year</b>	<b>34</b>	<b>59,710</b>	<b>84,093</b>



# Notes to the consolidated financial statements

for the year ended 31 December 2021

## 1. General information

The Group operates as a vertically integrated business engaged in the design, manufacture, distribution, rental, servicing and sale of POU water coolers, 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.

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.

### *Companies in the consolidated financial information*

The subsidiary undertakings included within the Financial Statements are set out in note 18.

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

### **New and revised IFRS Standards in issue but not yet effective**

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS 17 (including the June 2020 amendments to IFRS 17) Insurance Contracts
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3 Reference to the Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment - Proceeds before Intended Use
- Amendments to IAS 37 Onerous Contracts - Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018-2020 Cycle - Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture
- Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies
- Amendments to IAS 8 Definition of Accounting Estimates
- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

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

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

### ***Amendments to IAS 1 - Classification of Liabilities as Current or Non-current***

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

## Notes to the consolidated financial statements (continued)

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

#### ***Amendments to IFRS 3 - Reference to the Conceptual Framework***

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

#### ***Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use***

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

#### ***Amendments to IAS 37 - Onerous Contracts: Cost of Fulfilling a Contract***

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

#### ***Annual Improvements to IFRS Standards 2018 - 2020***

*The Annual Improvements include amendments to four Standards.*

##### ***IFRS 1 First-time Adoption of International Financial Reporting Standards***

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

## Notes to the consolidated financial statements (continued)

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

#### **Annual Improvements to IFRS Standards 2018 - 2020 (continued)**

##### **IFRS 9 Financial Instruments**

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

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

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

#### **Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies**

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

#### **Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates**

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

The Board added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The Board has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

## Notes to the consolidated financial statements (continued)

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

#### **Amendments to IAS 12 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The Board also adds an illustrative example to IAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:

- Right-of-use assets and lease liabilities
- Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset

- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

#### **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 financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards as issued by the IASB. 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**

##### **Impact of the initial application of Interest Rate Benchmark Reform**

In the prior year, the Group adopted the Phase 1 amendments Interest Rate Benchmark Reform—Amendments to IFRS 9/IAS 39 and IFRS 7. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments are amended as a result of the interest rate benchmark reform.

In the current year, the Group adopted the Phase 2 amendments Interest Rate Benchmark Reform—Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Adopting these amendments enables the Group to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements. The Group has not restated the prior period. Instead, the amendments have been applied retrospectively with any adjustments recognised in the appropriate components of equity as at 1 January 2021.

## Notes to the consolidated financial statements (continued)

### 3. Significant accounting policies (continued)

#### Adoption of new and amended accounting standards (continued)

##### Impact of the initial application of Interest Rate Benchmark Reform (continued)

Both the Phase 1 and Phase 2 amendments are relevant to the Group because it applies hedge accounting to its interest rate benchmark exposures, and in the current period modifications in response to the reform have been made to some (but not all) of the Group's derivative and non-derivative financial instruments that mature post 2021 (the date by which the reform is expected to be implemented).

Details of the derivative and non-derivative financial instruments affected by the interest rate benchmark reform together with a summary of the actions taken by the Group to manage the risks relating to the reform and the accounting impact, including the impact on hedge accounting relationships, appear in Note 37. The amendments are relevant for the following types of hedging relationships and financial instruments of the Group, all of which extend beyond 2021:

- Fair value hedges where LIBOR-linked derivatives are designated as a fair value hedge of fixed rate debt in respect of the GBP LIBOR risk component
- Cash flow hedges where IBOR-linked derivatives are designated as a cash flow hedge of IBOR-linked bank borrowings
- Bills or exchange and lease liabilities which reference LIBORs and are subject to the interest rate benchmark reform

The application of the amendments affects the Group's accounting in the following ways:

- The Group has issued CU-denominated fixed rate debt that is subject to a fair value hedge using CU fixed to CU LIBOR interest rate swaps. The amendments permit continuation of hedge accounting even if in the future the hedged benchmark interest rate, CU LIBOR, may no longer be separately identifiable and there is uncertainty about the replacement of the floating interest rates included in the interest rate swaps. However, this relief does not extend to the requirement that the designated interest rate risk component must continue to be reliably measurable. If the risk component is no longer reliably measurable, the hedging relationship will be discontinued.
- The Group will not discontinue hedge accounting should the retrospective assessment of hedge effectiveness fall outside the 80-125 per cent range and the hedging relationship is subject to interest rate benchmark reforms. For those hedging relationships that are not subject to the interest rate benchmark reforms the entity continues to cease hedge accounting if retrospective effectiveness is outside the 80-125 per cent range.

The Group will continue to apply the Phase 1 amendments to IFRS 9/IAS 39 until the uncertainty arising from the interest rate benchmark reform with respect to the timing and the amount of the underlying cash flows to which the Group is exposed ends. The Group expects this uncertainty will continue until the Group's contracts that reference IBORs are amended to specify the date on which the interest rate benchmark will be replaced and the basis for the cash flows of the alternative benchmark rate are determined including any fixed spread.

As a result of the Phase 2 amendments:

- When the contractual terms of the Group's bank borrowings are amended as a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the basis immediately preceding the change, the Group changes the basis for determining the contractual cash flows prospectively by revising the effective interest rate. If additional changes are made, which are not directly related to the reform, the applicable requirements of IFRS 9 are applied to the other changes. See note 22 for further details regarding changes made to the LIBOR-linked bank borrowings
- When a lease is modified as a direct consequence of the interest rate benchmark reform and the new basis for determining the lease payments is economically equivalent to the previous basis, the Group remeasures the lease liability to reflect the revised lease payments discounted using a revised discount rate that reflects the change in the basis for determining the contractual cash flows
- When changes are made to the hedging instruments, hedged item and hedged risk as a result of the interest rate benchmark reform, the Group updates the hedge documentation without discontinuing the hedging relationship and, in the case of a cash flow hedge, the amount accumulated in the cash flow hedge reserve is deemed to be based on SONIA (see note 37)
- For the Group's fair value hedges of a non-contractually specified benchmark component of interest rate risk, on transition to the alternative benchmark rate, if that risk rate is not separately identifiable at the date of designation, it will be deemed to have met the separately identifiable requirement at that date, if the Group reasonably expects the term specific interest rate component will be separately identifiable within a period of 24 months from the date the alternative benchmark rate is first designated, regardless of the term for which the risk is designated in that hedge. The 24-month period applies on a rate-by-rate basis

Note 37 provides the required disclosures related to these amendments.

## Notes to the consolidated financial statements (continued)

### 3. Significant accounting policies (continued)

#### Adoption of new and amended accounting standards (continued)

##### Impact of the initial application of COVID-19-Related Rent Concessions beyond 30 June 2021—Amendment to IFRS 16

In the prior year, the Group early adopted Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021.

In March 2021, the Board issued Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) that extends the practical expedient to apply to reduction in lease payments originally due on or before 30 June 2022.

In the current financial year, the Group has applied the amendment to IFRS 16 (as issued by the Board in May 2021) in advance of its effective date.

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification.

#### 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 IFRS 16, 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).

## Notes to the consolidated financial statements (continued)

### 3. Significant accounting policies (continued)

#### 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 12.

#### Basis of consolidation

The Financial Statements incorporate the results of the Company and its subsidiaries made up to 31 December 2021. 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 2021 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.

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

Acquisitions of businesses are accounted for using the acquisition method. The term 'business' is as defined in IFRS 3 *Business Combinations*. 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 IFRS 9 or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in the Income Statement.

## Notes to the consolidated financial statements (continued)

### 3. Significant accounting policies (continued)

#### Business combinations (continued)

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 or groups of cash generating units ("CGUs") 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.

#### 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, coffee machines, UTS and bottled water coolers ("water dispensers");
- Service of POU water dispensers and coffee machines;
- Direct and indirect sale of water dispensers and coffee machines;
- 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".

#### Combined rental and service contracts

The Group has in place a number of contracts with customers that cover both the rental of water dispensers and the servicing and maintenance of those water dispensers. The transaction price is allocated to each performance obligation to reflect the amount of consideration to which the Group is entitled to, in exchange for transferring the promised goods or services to the customer. The Group allocates combined rental and service income to the separate rental and service categories based on a percentage allocation method, which is calculated for each business unit. The percentage allocation, which is recalculated periodically, is based on the transaction price being allocated to each performance obligation in proportion to its stand-alone selling price.

#### 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.



## Notes to the consolidated financial statements (continued)

### 3. Significant accounting policies (continued)

#### *Revenue recognition (continued)*

##### **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.

##### **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 consumables sales 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.

##### **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. Commissions on new contracts are capitalised and depreciated over one and a half times the initial 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.

## Notes to the consolidated financial statements (continued)

### 3. Significant accounting policies (continued)

#### Leases (continued)

##### *The Group as lessee*

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets worth less than \$5,000 (such as personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments less any lease incentives receivable;
- The amount expected to be payable by the lessee under residual value guarantees; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented within a separate caption in the consolidated balance sheet, with additional information disclosed in note 17.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

## Notes to the consolidated financial statements (continued)

### 3. Significant accounting policies (continued)

#### Foreign currencies (continued)

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. Adjusted profit is not a defined term under IFRS and may not be comparable with similarly titled profit measures adopted by other reporting entities. 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. Further details of adjusting items are set out in note 7.

#### 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.

#### Government grants and assistance

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Furlough grant income has been shown net against the related employee expense. Note 11 provides further information on how the group accounts for government grants.

## Notes to the consolidated financial statements (continued)

### 3. Significant accounting policies (continued)

#### 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.

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
Plant and machinery	3–10 years
Fixtures, fittings and equipment	3–10 years
Motor vehicles	3–5 years
Property	20–30 years
Leasehold improvements	3–10 years
Rental commissions	2–8 years

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

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.

## Notes to the consolidated financial statements (continued)

### 3. Significant accounting policies (continued)

#### Tangible and Intangible assets (continued)

##### *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	4–10 years
Brand names, trademarks and patents	1–10 years
Software (including ERP)	3–10 years
Re-acquired rights	1–15 years
Other intangible assets	1–10 years

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

##### *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 trading business, the Group undertakes an evaluation of the business to identify the existence of any intangible assets in accordance with IFRS 3. 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, patents, re-acquired rights and other intangible assets (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.

## Notes to the consolidated financial statements (continued)

### 3. Significant accounting policies (continued)

#### Impairment of tangible and intangible assets excluding goodwill (continued)

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.

#### Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in an associate or a joint venture is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or a joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

The Group applies IFRS 9, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied and which form part of the net investment in the investee.

## Notes to the consolidated financial statements (continued)

### 3. Significant accounting policies (continued)

#### Investments in associates and joint ventures (continued)

Furthermore, in applying IFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by IAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

#### 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.

#### 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; and
- 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.

## Notes to the consolidated financial statements (continued)

### 3. Significant accounting policies (continued)

#### Financial instruments (continued)

##### *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 37.

##### *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 37.

##### *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.



## Notes to the consolidated financial statements (continued)

### 3. Significant accounting policies (continued)

#### Financial instruments (continued)

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.

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.

#### 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.

## Notes to the consolidated financial statements (continued)

### 3. Significant accounting policies (continued)

#### Financial instruments (continued)

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 37.

#### 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.

#### 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 37.

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.

## Notes to the consolidated financial statements (continued)

### 3. Significant accounting policies (continued)

#### Financial Instruments (continued)

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.

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 37 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.

## Notes to the consolidated financial statements (continued)

### 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.

#### ***Adjusting items***

Judgements are required as to whether items are disclosed as adjusting, with consideration given to both quantitative and qualitative factors. Further information about the determination of adjusting items are given in note 7.

#### ***Key sources of estimation uncertainty***

The Directors consider that in relation to key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, there are no matters that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## Notes to the consolidated financial statements (continued)

### 5. Revenue from contracts with customers

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

	Year ended 31 December	
	2021 \$'000	2020 \$'000
<b>Continuing operations</b>		
Direct revenue	48,696	39,796
Indirect revenue	40,362	35,724
Rental income	180,949	155,666
Service income	98,266	89,282
Consumables revenue	44,972	33,505
Other revenue	13,684	13,982
<b>Total revenue</b>	<b>426,929</b>	<b>367,955</b>

Direct revenue represents the value of sales made directly to customers. Indirect revenue represents sales made through the Group's dealer network. Other revenue includes administration and freight fees charged to customers and other miscellaneous income.

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

	Year ended 31 December	
	2021 \$'000	2020 \$'000
<b>Continuing operations</b>		
UK and mainland Europe	206,204	182,057
Nordics	52,991	43,876
North America	94,960	86,475
Australasia	60,145	49,953
Rest of the world	12,629	5,594
<b>Total revenue</b>	<b>426,929</b>	<b>367,955</b>

### 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	
	2021 \$'000	2020 \$'000
<b>Revenue recognised:</b>		
Over time	279,215	244,948
At a point in time	147,714	123,007
<b>Total revenue</b>	<b>426,929</b>	<b>367,955</b>

### 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 \$22,993,000 at 31 December 2021 (2020: \$18,457,000). Capitalised commission fees are amortised when the related revenues are recognised. In 2021, the amount of amortisation was \$4,029,000 (2020: \$3,085,000) 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.

## Notes to the consolidated financial statements (continued)

### 6. Auditor's fees

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

	Year ended 31 December	
	2021 \$'000	2020 \$'000
<b>Audit services and audit related services</b>		
Fees payable to the Group's auditor and its associates for the audit of the Company's annual accounts	649	535
Fees payable to the Group's auditor and its associates for the audit of the Company's subsidiaries	1,140	914
<b>Total audit fees</b>	<b>1,789</b>	<b>1,449</b>
<b>Other services</b>		
Other taxation services:		
Taxation compliance services	601	334
Other taxation advisory services	296	588
Other non-audit services	346	40
<b>Total non-audit services</b>	<b>1,243</b>	<b>962</b>
<b>Total</b>	<b>3,032</b>	<b>2,411</b>

No services were provided pursuant to contingent fee arrangements. Other audit non-audit services comprise other advisory services.

### 7. Loss for the year

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

	Note	Year ended 31 December	
		2021 \$'000	2020 \$'000
Net foreign exchange (gains)/losses	8	(46,113)	41,548
Research and development costs		1,836	1,262
Depreciation of property, plant and equipment	17	50,469	44,796
Depreciation of right-of-use assets	17	15,175	13,646
Loss/(profit) on disposal of property, plant and equipment	8	166	(130)
Amortisation of acquired intangibles	16	42,824	35,930
Amortisation of other intangibles	16	8,499	4,638
Cost of inventories recognised as an expense		77,142	47,315
Write downs of inventories recognised as an expense		159	204
Reversal of write downs of inventories recognised as a credit		(43)	(30)
Staff costs:			
– corporate reorganisation		1,804	3,492
– other		157,597	134,369
Acquisition and integration related costs		10,506	7,851
Impairment losses recognised on trade receivables	21	6,665	9,685
Reversal of impairment losses recognised on trade receivables	21	(160)	(699)
Change in fair value of derivative financial instruments	10	56	277

## 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 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 adjusted EBITDA.

The following items 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 roles following strategic restructuring activities;
    - the hiring of replacements or the cost of filling new positions and the short-term incremental cost of transitioning to new roles following a fundamental restructure of a business or department; and
    - termination payments to Executive Directors of the Group;
  - Significant 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;
  - Non-recurring costs associated with the restructuring of the Group's tax operating and funding model; and
  - Non-capitalisable costs associated with the relocation of existing, or the establishing of new, substantial and significant manufacturing, warehousing, assembly or office facilities. Costs can include the cost impact of suboptimal factory performance leading up to full production.
- **Acquisition and integration related costs**
  - Costs associated with acquisitions, including transaction costs and fair value adjustments on contingent consideration and any non-capitalised deferred consideration payable to any shareholder post-acquisition; and
  - Significant costs associated with the post-acquisition integration of companies and businesses, including restructuring undertaken as a result of the acquisition of subsidiaries or businesses by the Group.
- **Amortisation of acquired intangibles**
  - Amortisation charge for the period relating to intangibles acquired with previously purchased subsidiaries (see note 16).
- **COVID-19 related costs**
  - Non-operating employment costs related to employees that were on furlough and not providing services to the Group and the costs of redundancies resulting from the pandemic (including associated legal costs).
- **Impairment of goodwill and acquired intangibles**
  - Impairment charge following the Group's annual goodwill and acquired intangibles impairment test.
- **Group ERP implementation costs**
  - Costs associated with the implementation of a Group-wide ERP solution including data cleansing, data migration, training and other costs.
- **Foreign exchange gains and losses**
  - Impact of retranslation of balances held in non-functional currency by subsidiary entities. This removes the disproportional financial impact that the retranslation of balances held in non-functional currency can have on the financial performance of the business.

## Notes to the consolidated financial statements (continued)

### 7. Loss for the year (continued)

#### Adjusted operating profit

	Year ended 31 December	
	2021 \$'000	2020 \$'000
Operating profit/(loss)	48,755	(55,691)
Adjusting items:		
– corporate reorganisation costs	8,801	17,822
– acquisition and integration related costs	10,506	7,851
– amortisation of acquired intangibles	42,824	35,930
– COVID-19 related costs	1,370	3,715
– Group ERP implementation costs	9,511	11,362
– Foreign exchange (gains)/losses	(46,113)	41,548
Total adjusting items	26,899	118,228
<b>Adjusted operating profit</b>	<b>75,654</b>	<b>62,537</b>

#### Adjusted EBITDA

	Year ended 31 December	
	2021 \$'000	2020 \$'000
Operating profit/(loss)	48,755	(55,691)
Add depreciation, amortisation and impairment	118,370	99,989
EBITDA	167,125	44,298
Adjusting items:		
– corporate reorganisation costs	8,801	17,822
– acquisition and integration related costs	10,506	7,851
– COVID-19 related costs	1,370	3,715
– Group ERP implementation costs	9,511	11,362
– Foreign exchange (gains)/losses	(46,113)	41,548
Total adjusting items	(15,925)	82,298
<b>Adjusted EBITDA</b>	<b>151,200</b>	<b>126,596</b>



## Notes to the consolidated financial statements (continued)

### 8. Other gains and losses

	Year ended 31 December	
	2021 \$'000	2020 \$'000
(Loss)/profit on disposal of non-current assets	(166)	130
Foreign exchange gains/(losses)	48,113	(41,548)
Other gains/(losses)	2,145	(629)
	<b>48,092</b>	<b>(42,047)</b>

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	
	2021 \$'000	2020 \$'000
Bank deposit interest	47	36
Other finance income	18	27
	<b>65</b>	<b>63</b>

### 10. Finance costs

	Year ended 31 December	
	2021 \$'000	2020 \$'000
Interest on related party loans	34,004	28,136
Interest on bank overdrafts and loans	33,825	27,580
Bank loan facility fees	20,151	3,481
Interest on lease liabilities	2,651	2,375
Other financial expenses	282	241
Total interest expense	<b>90,913</b>	<b>61,813</b>
Unwinding of discount effect on liabilities	89	-
Fair value changes arising on derivatives in a designated cash flow hedge accounting relationship	56	277
	<b>91,058</b>	<b>62,090</b>

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	
	2021 \$'000	2020 \$'000
Wages and salaries	131,636	114,184
Social security costs	22,823	19,958
Other pension costs	4,657	3,719
Share based payments	285	-
	<b>159,401</b>	<b>137,861</b>

The Company has no employees of its own. The remuneration of its directors is disclosed in note 12.

## Notes to the consolidated financial statements (continued)

### 11. Staff information (continued)

The average number of employees during the period, calculated in accordance with Companies Act 2006 requirements, was:

	Year ended 31 December	
	2021 Number	2020 Number
Administration and management	488	468
Operations	1,966	1,905
Sales and marketing	569	582
	<b>3,023</b>	<b>2,955</b>

#### Share based incentives

##### Management Incentive Programme 1 (MIP1)

Some eligible senior employees (the 'employees') participate in a Management Incentive Programme scheme (MIP1), whereby they paid full market value for shares in a non-Group MIP entity, granted to them under MIP1. As the employees paid full market value for the shares there is no benefit to the employees as a result of the issue of the MIP shares to them. Accordingly, no share-based payment charge is recognised in the Group financial statements for the granting of the MIP shares to the employees.

Under MIP1, the employees were able to receive a non-Group funded loan to fund between 0% and 100% of the full market value for the shares granted to them under MIP1. As the loans were issued to the employees on market terms and bear interest at 2.5% to 5% there is no benefit arising from this aspect of the loans. There is a potential benefit to the employees if, on the eventual sale of the Group, the total sale proceeds of the MIP1 shares purchased fall below the loan value plus accrued interest. In this event the recourse to the employees for repayment of the loans is limited to the value of the proceeds received by the employees upon the eventual sale of the shares. Due to the low probability that the circumstances necessary to crystallise this benefit would occur, the potential share based payment charge to the Group is considered to be not material and no charge has therefore been reflected in the financial statements.

##### Management Incentive Programme 2 (MIP2)

In 2021, the Company created a new class of shares, being B Ordinary Shares (the "Growth Shares") and offered these Growth Shares to selected employees of the Company (the "Growth Shareholders" or the "Participants"). Participants invested an amount considered to be equal to the market value of the Growth Shares in order to acquire them. These shares entitle the Growth Shareholders to benefit from any growth in equity value of the Company above a certain level. The Growth Shares are not subject to any performance conditions and vest in full in the event of a sale of the Company by Castik Capital. All Growth Shareholders are entitled to share in the proceeds of the sale of the Company in accordance with the rights attached to the Growth Shares, subject to a defined financial hurdle being met.

The award of the Growth Shares gives rise to a charge in the income statement of \$285,000 in 2021 (2020: \$nil) calculated under the requirements of IFRS 2 *Share based payments*. The value of the award was measured using the Monte Carlo valuation model, which included the following inputs:

Expected life	3.6 years
Transaction costs	2.5%
Expected volatility	30%
Dividend yield	0.0%
Risk free rate	0.0%
Collar	2.0%

#### COVID-19 Payroll support

Included in profit or loss is \$1,655,000 (2020: \$7,769,000) of government grants obtained relating to supporting the payroll of the Group's employees. The Group has elected to present these government grants as a reduction in the related expense, employment costs, rather than recognising these separately. The terms and conditions of the grants provided varied in each geographical market in which the Group operates, the Group has met all conditions relating to government grants that have been recognised in employment costs. The Group does not have any unfulfilled obligations relating to this programme.

## Notes to the consolidated financial statements (continued)

### 12. Directors' remuneration

Directors' remuneration for the year was as follows.

	Year ended 31 December	
	2021 \$'000	2020 \$'000
Remuneration	1,826	1,979
Company contributions to defined contribution pension schemes	33	33
Benefits in kind	25	24
	<b>1,884</b>	<b>2,036</b>

During the year benefits were accruing to three directors under defined contribution pension schemes. The highest paid director received remuneration of \$580,000 (2020: \$692,000). The value of the company's contributions to a defined contribution pension scheme in relation to the highest paid director was \$18,000 (2020: \$14,000).

### 13. Tax

	Year ended 31 December	
	2021 \$'000	2020 \$'000
Current tax expense:		
Current year	3,550	3,844
Adjustments in respect of prior years	(2,618)	(627)
	<b>932</b>	<b>3,217</b>
Deferred tax (note 24):		
Origination and reversal of temporary differences	(4,764)	(4,569)
Change in tax rate on deferred tax asset/liability brought forward	3,294	1,110
Adjustments in respect of prior years	(92)	228
Recognition/(derecognition) of previously unrecognised deferred tax liability	(4,775)	400
Total deferred tax (credit)	<b>(6,337)</b>	<b>(2,831)</b>
Total tax (credit)/charge	<b>(5,405)</b>	<b>386</b>

The standard rate of corporation tax applied to reported profit is 19 per cent (2020: 19 per cent) of the estimated taxable profit for the year in the income statement for the Group, which at 31 December 2021 was resident for tax purposes in England and Wales (2020: England and Wales). The Finance Act 2021 was enacted in 2021 and contains legislation to increase the main rate of UK corporation tax from 19% to 25% with effect from 1 April 2023. UK deferred tax has been adjusted to this higher rate of tax where these are expected to reverse after 1 April 2023. The impact of this rate increase is a net \$3.3 million deferred tax charge (2020: 17% to 19% rate increase resulting in a net \$1.3 million charge). 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	
	2021 \$'000	2020 \$'000
Loss before tax on continuing operations	(42,238)	(117,718)
Tax at the UK corporation tax rate of 19 per cent (2020: 19 per cent)	(8,025)	(22,366)
Tax effect of expenses that are not deductible in determining taxable profit	7,661	13,573
Tax effect of non-taxable gain	(12,247)	-
Tax effect of tax losses in current period not utilised and deferred tax not recognised	14,553	9,076
Tax effect of other temporary differences where deferred tax not recognised	(1,428)	468
Utilisation of brought forward losses where losses previously not provided	(356)	(27)
Adjustments recognised in the current year in relation to the tax of prior years – current tax	(2,618)	(627)
Adjustments recognised in the current year in relation to the tax of prior years – deferred tax	(92)	228
Effect of change in tax rate on deferred tax asset/liability brought forward	3,294	1,110
Tax effect of items charged at non-standard rate	(1,372)	(1,449)
(Recognition)/derecognition of previously unprovided deferred tax (assets)/liabilities	(4,775)	400
Total tax charge for the year	<b>(5,405)</b>	<b>386</b>

## Notes to the consolidated financial statements (continued)

### 13. Tax (continued)

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 has remained at 19% throughout 2020 and 2021.

### 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 2020	313,698	(11,177)	302,521
Acquisitions	9,500	-	9,500
Exchange differences	12,918	(606)	12,312
At 1 January 2021	336,116	(11,783)	324,333
Acquisitions (note 33)	84,642	-	84,642
Exchange differences	(14,417)	477	(13,940)
<b>At 31 December 2021</b>	<b>406,341</b>	<b>(11,306)</b>	<b>395,035</b>

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units or group of cash generating units (CGUs) that are expected to benefit from that business combination. All CGUs in the Group are geographical areas with the exception of WL Trading which operates 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
North America	70,749	31,004	(20)	101,733
Nordics	12,770	2,089	(831)	14,028
Australasia	43,889	5,289	(2,676)	46,502
Germany	13,816	-	(1,038)	12,778
WL Trading	19,350	-	-	19,350
UK and Ireland	131,778	11,213	(1,771)	141,220
Latin America	18,735	33,512	(5,183)	47,064
France	3,149	-	(237)	2,912
Other	10,097	1,535	(2,184)	9,448
<b>Total</b>	<b>324,333</b>	<b>84,642</b>	<b>(13,940)</b>	<b>395,035</b>

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 CGUs are determined from the higher of value in use ("VIU") and fair value less cost to sell ("FVLCS"). The cash flow forecasts are based on the most recent Board approved budget and projections for next five years.

Under the FVLCS valuation method, the recoverable amount of the CGUs has been calculated by allocating the valuation of Waterlogic in the Culligan transaction across the CGUs based on their relative value in use. FVLCS was used for all CGU's and group of CGUs as it resulted in higher headroom.

The key assumptions for the value in use calculations are those regarding the revenue growth rates, terminal value 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 post-tax rates that reflect current market assessments of the time value of money and the conditions specific to each CGU. For the following significant groups of CGUs, the post-tax discount rates were used in the VIU models and the equivalent pre-tax discount rates are shown below. Where different discount rates were applied to individual CGU's within the regional group, the discount rates specific to these CGU's are also shown.

## Notes to the consolidated financial statements (continued)

### 15. Goodwill (continued)

- UK and Ireland – 11.6% (2020: 12.4%)
- Australasia – 12.4% (2020: 13.9%)
- North America – 12.8% (2020: 12.6%)
- Nordics – 11.0% (2020: 12.5%)
- Latin America: Chile – 14.7% (2020: 15.1%) and Colombia – 17.8%
- Germany – 11.9% (2020: 12.9%)
- France – 12.0% (2020: 12.3%)
- WL Trading – 10.4% (2020: 11.4%)

For the remaining CGUs a range of pre-tax discount rates from 10.3% to 15.0% were used (2020: 11.3% to 15.5%).

The revenue growth rates used in the initial five-year term consider the existing customer base and revenue commitments from it, 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 3.9% to 21.3% (2020: 4.4% to 25.5%) with a long-term growth rate ranging from 1.1% to 5.5% (2020: 1.2% to 6.6%) applied in the terminal value calculation, based on long-term inflation rates of the geographic market in which the CGUs operate.

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 6.5% to 57.1% (2020: 22.0% to 53.4%).

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. Details of the 2021 acquisitions are disclosed in note 33.

Impairment reviews were performed for each regional group of CGU's. Given the significant headroom in the CGUs there are no reasonably possible downsides that would result in impairment.

No impairment in the value of goodwill in any of the CGU groups was identified.

## Notes to the consolidated financial statements (continued)

### 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
<b>Cost</b>										
At 1 January 2020	19,205	5,111	770	17,218	7,535	268,934	40,574	69,155	41,985	470,487
Additions	10,734	810	430	-	5,270	-	-	-	-	17,244
Acquisitions	-	40	-	-	2	15,961	519	-	342	16,864
Reclassifications	-	-	-	(17,176)	17,176	-	-	-	-	-
Exchange differences	409	363	(15)	(42)	837	11,927	1,308	3,220	930	18,937
At 31 December 2020	30,348	6,324	1,185	-	30,820	296,822	42,401	72,375	43,257	523,532
Additions	19,172	765	549	5,609	3,188	-	-	-	-	29,283
Acquisitions (note 33)	-	-	-	-	22	107,612	7,838	759	1,419	117,650
Reclassifications	-	-	-	(1,397)	1,397	-	-	-	-	-
Exchange differences	(261)	(320)	(7)	(134)	(630)	(12,216)	(1,191)	(1,639)	(490)	(16,888)
At 31 December 2021	49,259	6,769	1,727	4,078	34,797	392,218	49,048	71,495	44,186	653,577
<b>Accumulated amortisation</b>										
At 1 January 2020	1,468	2,614	327	-	4,251	68,608	16,524	29,484	19,350	142,626
Charge for the year	1,558	920	184	-	1,976	20,604	3,999	7,327	4,000	40,568
Exchange differences	124	238	(24)	-	(212)	4,536	487	1,759	215	7,123
At 31 December 2020	3,150	3,772	487	-	6,015	93,748	21,010	38,570	23,565	190,317
Charge for the year	3,266	872	549	-	3,812	24,195	6,238	7,890	4,501	51,323
Exchange differences	(73)	(238)	(2)	-	(306)	(3,619)	(417)	(997)	(164)	(5,816)
At 31 December 2021	6,343	4,406	1,034	-	9,521	114,324	26,831	45,463	27,902	235,824
<b>Carrying amount</b>										
At 31 December 2021	42,916	2,363	893	4,078	25,276	277,894	22,217	26,032	16,284	417,753
At 31 December 2020	27,198	2,552	698	-	24,805	203,074	21,391	33,805	19,692	333,215

Assets in the course of construction comprise the Group's global ERP solution referred to in the Strategic report. The asset is amortised over a period of 10 years from the date that it is commissioned. Other acquired intangible assets include technology and non-compete agreements.

## Notes to the consolidated financial statements (continued)

### 17. Property, plant and equipment

	Rental commissions \$'000	Property and leasehold improvements \$'000	Point-of-use dispensers \$'000	Plant and machinery \$'000	Fixtures, fittings and equipment \$'000	Motor vehicles \$'000	Assets in the course of construction \$'000	Total \$'000
<b>Cost</b>								
At 1 January 2020	14,112	3,890	201,353	13,937	11,777	2,909	1,839	249,817
Additions	4,520	716	35,982	1,420	3,257	536	180	46,611
Acquisitions	-	34	1,227	617	37	200	-	2,115
Disposals	(861)	(74)	(7,103)	(135)	(592)	(1,649)	-	(10,414)
Reclassifications	-	335	(655)	543	(616)	1,106	(907)	(194)
Exchange differences	686	180	11,998	782	855	117	45	14,663
At 31 December 2020	18,457	5,081	242,802	17,164	14,718	3,219	1,157	302,598
Additions	6,932	511	45,662	1,844	3,422	216	2,202	60,789
Acquisitions (note 33)	-	228	12,984	370	319	977	-	14,878
Disposals	(1,688)	(300)	(8,268)	(232)	(735)	(753)	(34)	(12,010)
Reclassifications	(54)	657	(26)	1,543	283	365	(2,768)	-
Exchange differences	(654)	(83)	(12,260)	(478)	(946)	(137)	(12)	(14,570)
At 31 December 2021	22,993	6,094	280,894	20,211	17,081	3,887	545	351,685
<b>Accumulated depreciation</b>								
At 1 January 2020	4,918	1,170	87,728	7,910	6,372	1,646	-	109,744
Charge for the year	3,085	677	35,525	2,452	2,389	668	-	44,796
Eliminated on disposals	(861)	(18)	(6,330)	(25)	(534)	(563)	-	(8,331)
Reclassifications	-	(2)	771	(1,078)	(105)	(416)	-	(830)
Exchange differences	307	78	6,120	481	516	69	-	7,571
At 31 December 2020	7,449	1,905	123,814	9,740	8,638	1,404	-	152,950
Charge for the year	4,029	783	39,405	2,648	2,645	959	-	50,469
Eliminated on disposals	(1,688)	(294)	(6,998)	(192)	(594)	(611)	-	(10,377)
Reclassifications	(54)	(5)	36	(33)	(136)	192	-	-
Exchange differences	(293)	(42)	(7,578)	(174)	(632)	(131)	-	(8,850)
At 31 December 2021	9,443	2,347	148,679	11,989	9,921	1,813	-	184,192
<b>Carrying amount</b>								
At 31 December 2021	13,550	3,747	132,215	8,222	7,140	2,074	545	187,493
At 31 December 2020	11,008	3,176	118,988	7,424	6,080	1,815	1,157	149,648

## Notes to the consolidated financial statements (continued)

### 17. Property, plant and equipment

Assets in the course of construction primarily comprise the Group's upgrade construction of a production plant in Australia. The asset will be depreciated over a period of between three and ten years from the date that it is commissioned.

#### Right-of-use assets

	Property and leasehold improvements \$'000	Plant and machinery \$'000	Fixtures, fittings and equipment \$'000	Motor vehicles \$'000	Total \$'000
<b>Cost</b>					
At 1 January 2020	33,943	147	224	17,881	52,195
Additions	7,528	37	131	6,366	14,062
Acquisitions	213	-	-	445	658
Disposals	(2,762)	(1)	(10)	(3,204)	(5,977)
Reclassifications	(19)	-	-	(251)	(270)
Exchange differences	1,894	10	29	1,229	3,162
At 31 December 2020	40,797	193	374	22,466	63,830
Additions	13,489	234	76	6,823	20,622
Acquisitions (note 33)	1,448	-	-	63	1,511
Disposals	(3,586)	(27)	(102)	(4,870)	(8,585)
Exchange differences	(1,471)	(10)	(21)	(935)	(2,437)
At 31 December 2021	50,677	390	327	23,547	74,941
<b>Accumulated depreciation</b>					
At 1 January 2020	6,062	40	76	5,572	11,750
Charge for the year	7,450	58	80	6,058	13,646
Eliminated on disposal	(1,223)	(1)	(5)	(2,525)	(3,754)
Reclassifications	(10)	-	-	376	366
Exchange differences	633	6	14	657	1,310
At 31 December 2020	12,912	103	165	10,138	23,318
Charge for the year	8,186	68	87	6,834	15,175
Eliminated on disposal	(3,124)	(27)	(93)	(4,537)	(7,781)
Exchange differences	(552)	(4)	(10)	(442)	(1,008)
At 31 December 2021	17,422	140	149	11,993	29,704
<b>Carrying amount</b>					
At 31 December 2021	33,255	250	178	11,554	45,237
At 31 December 2020	27,885	90	209	12,328	40,512

No freehold property was held by the Group as at 31 December 2021 (2020: \$nil). The Group had no capital commitments at 31 December 2021 (2020: \$nil).



## Notes to the consolidated financial statements (continued)

### 18. Subsidiaries

The Group's subsidiary undertakings as at 31 December 2021 are listed below, including the name, country of incorporation and proportion of ownership interest.

Company name	Registered office	Country of registration or incorporation	Principal activity	Class of shares	Ownership interest	
					Direct %	Indirect %
Advanced Pure Water Inc	(au)	United States of America	Distribution and service	Ordinary	-	100%
Aguapura Aguaviva S.L	(a)	Spain	Distribution and service	Ordinary	-	100%
Air and Water Limited	(d)	England and Wales	Dormant	Ordinary	-	100%
Andrew's Water Treatment Limited	(c)	England and Wales	Distribution and service	Ordinary	-	100%
Angel Springs Holdings Limited	(d)	England and Wales	Holding company	Ordinary	-	100%
Aqua Cure Limited	(c)	England and Wales	Distribution	Ordinary	-	100%
Aqua Cure (Scotland) Limited	(e)	Scotland	Distribution and service	Ordinary	-	100%
Aquamaq S.A.	(av)	Colombia	Distribution and service	Ordinary	-	100%
Aquanor Holding AB	(r)	Sweden	Holding company	Ordinary	-	100%
Aquapoint Limited	(d)	England and Wales	Distribution and service	Ordinary	-	100%
Billi Australia Pty Limited	(aa)	Australia	Distribution and service	Ordinary	-	100%
Billi Financial Services Pty Ltd	(aa)	Australia	Finance	Ordinary	-	100%
Billi R&D Pty Ltd	(aa)	Australia	Product development	Ordinary	-	100%
Billi UK LLP	(z)	United Kingdom	Distribution and service	N/a	-	100%
Bronte Spring Water Limited	(d)	England and Wales	Dormant	Ordinary	-	100%
Bronte Water Coolers Limited	(d)	England and Wales	Distribution and service	Ordinary	-	100%
Cameron Water Limited	(ag)	Scotland	Distribution and service	Ordinary	-	100%
Cariad Cool Water Limited	(d)	England and Wales	Distribution and service	Ordinary	-	100%
Dalux AB	(am)	Sweden	Distribution and service	Ordinary	-	100%
Embotelladora Perla Clara SpA	(ah)	Chile	Bottling, distribution and service	Ordinary	-	100%
Escowa AB	(h)	Sweden	Distribution and service	Ordinary	-	100%
Fillongley Spring Water Limited	(i)	England and Wales	Bottling and distribution	Ordinary	-	100%
Fillongley Ventures Limited	(i)	England and Wales	Holding Company	Ordinary	-	100%
GLGB Limited	(ab)	United Kingdom	Holding Company	Ordinary	-	100%
HBS LDA	(ap)	Portugal	Distribution and service	Ordinary	-	100%
Hidrospot SAS	(ak)	Colombia	Distribution and service	Ordinary	-	100%
Home 2 Office (Watercoolers) Limited	(d)	England and Wales	Distribution and service	Ordinary	-	100%
Industrial Hot & Cold Limitada	(ah)	Chile	Fabrication facility	Ordinary	-	100%
Interiör Vatten Skåne AB	(ae)	Sweden	Distribution and service	Ordinary	-	100%
Just Order Direct Limited	(d)	England and Wales	Dormant	Ordinary	-	100%
Kaffemann AS	(aw)	Norway	Distribution and service	Ordinary	-	100%
Kettletap Direct.com Limited	(d)	England and Wales	Dormant	Ordinary	-	100%
Kettletaps Limited	(d)	England and Wales	Dormant	Ordinary	-	100%
Kingshill Mineral Water Limited	(ag)	Scotland	Distribution and service	Ordinary	-	100%
Kleena Coola Limited	(d)	England and Wales	Distribution	Ordinary	-	100%
MIW Office Solutions Limited	(d)	England and Wales	Distribution and service	Ordinary	-	100%
MIW Water Cooler Experts Limited	(d)	England and Wales	Distribution and service	Ordinary	-	100%

# Notes to the consolidated financial statements (continued)

## 18. Subsidiaries (continued)

Company name	Registered office	Country of registration or incorporation	Principal activity	Class of shares	Ownership interest	
					Direct %	Indirect %
Office Beverages Limited	(d)	England and Wales	Dormant	Ordinary	-	100%
Office Watercoolers (S.W.) Limited	(d)	England and Wales	Distribution and service	Ordinary	-	100%
Palmheath Investments Limited	(k)	British Virgin Islands	Holding company	Ordinary	-	100%
Pelican Technical Solutions Limited	(c)	England and Wales	Dormant	Ordinary	-	100%
Prisma Water SpA	(ai)	Chile	Distribution and service	Ordinary	-	100%
Prisma Water Home SpA	(ai)	Chile	Distribution and service	Ordinary	-	100%
Puralia Systems SLU	(a)	Spain	Distribution and service	Ordinary	-	100%
Pure Pro OOD	(ao)	Bulgaria	Distribution and service	Ordinary	-	100%
Qingdao Waterlogic Manufacturing Co. Limited	(l)	People's Republic of China	Manufacturer	Ordinary	-	100%
Quality Coffee Service Chile SpA	(an)	Chile	Distribution and service	Ordinary	-	100%
Quality Coffee Service Colombia SAS	(ay)	Colombia	Distribution and service	Ordinary	-	100%
Quality Coffee Service - Puerto Rico Corp	(aq)	Puerto Rico	Distribution and service	Ordinary	-	100%
Quality Water Service Chile SpA	(an)	Chile	Distribution and service	Ordinary	-	100%
Quality Water Service Colombia SAS	(ay)	Colombia	Distribution and service	Ordinary	-	100%
Quality Water Service and Distribution Corp	(ar)	Puerto Rico	Distribution and service	Ordinary	-	100%
QWS Holding LLC	(as)	Puerto Rico	Holding company	Ordinary	-	100%
Reservdelar i Sverige AB	(r)	Sweden	Distribution	Ordinary	-	100%
Springclear Limited	(d)	England and Wales	Distribution	Ordinary	-	100%
Stay Safe Health Limited	(a)	United Kingdom	Dormant	Ordinary	-	100%
Svensk Storkökservice AB	(r)	Sweden	Distribution and service	Ordinary	-	100%
The WCD Group Holdings Limited	(d)	England and Wales	Holding company	Ordinary	-	100%
The WCD Group Limited	(d)	England and Wales	Distribution and service	Ordinary	-	100%
Thoreau International AB	(b)	Sweden	Distribution and franchisor	Ordinary	-	100%
Tipperary Pure Irish Water (Sales) Unlimited Company	(aj)	Ireland	Distribution and service	Ordinary	-	100%
Vattentornet Aqua Concilio AB	(b)	Sweden	Distribution and service	Ordinary	-	100%
Waterboilers Direct.com Limited	(d)	England and Wales	Dormant	Ordinary	-	100%
Watercompany BV	(m)	The Netherlands	Distribution and service	Ordinary	-	100%
Watercompany Home Products BV	(m)	The Netherlands	Distribution and service	Ordinary	-	100%
Watercompany International BV	(m)	The Netherlands	Holding company	Ordinary	-	100%
Waterconcept AB	(b)	Sweden	Distribution and service	Ordinary	-	100%
Waterconcept Hungária Korlátolt Felelősségű Társaság	(ax)	Hungary	Distribution and service	Ordinary	-	100%
Watercoolers Direct Limited	(d)	England and Wales	Dormant	Ordinary	-	100%
Waterfirst Queensland Pty Ltd	(n)	Australia	Dormant	Ordinary	-	100%
Waterlogic Americas LLC	(o)	United States of America	Distribution and service	Preferred/ Ordinary	-	100%

## Notes to the consolidated financial statements (continued)

### 18. Subsidiaries (continued)

Company name	Registered office	Country of registration or incorporation	Principal activity	Class of shares	Ownership interest	
					Direct %	Indirect %
Waterlogic Australia Holdings Pty Limited	(n)	Australia	Holding company	Ordinary	-	100%
Waterlogic Australia Pty Limited	(n)	Australia	Distribution and service	Ordinary	-	100%
Waterlogic Belgium BVBA	(f)	Belgium	Distribution and service	Ordinary	-	100%
Waterlogic Canada Inc	(af)	Canada	Distribution and service	Ordinary	-	100%
Waterlogic Chile SPA	(ah)	Chile	Holding company	Ordinary	-	100%
Waterlogic Commercial Products LLC	(o)	United States of America	Distribution	Ordinary	-	100%
Waterlogic CZ sro	(ac)	Czechia	Distribution and service	Ordinary	-	100%
Waterlogic Danmark Aps	(g)	Denmark	Distribution and service	Ordinary	-	100%
Waterlogic Finance Limited	(p)	England and Wales	Finance	Ordinary	-	100%
Waterlogic Finance 2 Limited	(p)	United Kingdom	Finance	Ordinary	-	100%
Waterlogic France SAS	(j)	France	Distribution and service	Ordinary	-	100%
Waterlogic GB Limited	(d)	England and Wales	Distribution and service	Ordinary	-	100%
Waterlogic GmbH	(q)	Germany	Distribution and service	Ordinary	-	100%
Waterlogic Holdings GmbH	(s)	Germany	Holding company	Ordinary	-	100%
Waterlogic Holdings Limited	(p)	United Kingdom	Holding company	Ordinary	100%	-
Waterlogic Hydration Services Limited	(y)	Ireland	Distribution	Ordinary	-	100%
Waterlogic International Limited	(t)	The Bahamas	Holding company	Ordinary	-	100%
Waterlogic Limited	(u)	Jersey	Holding company	Ordinary	-	100%
Waterlogic Magyarország Hungária Korlátolt Felelősségű Társaság	(ad)	Hungary	Distribution and service	Ordinary	-	100%
Waterlogic New Zealand Ltd	(at)	New Zealand	Distribution and service	Ordinary	-	100%
Waterlogic Norge AS	(v)	Norway	Distribution and service	Ordinary	-	100%
Waterlogic Sverige AB	(r)	Sweden	Distribution and service	Ordinary	-	100%
Waterlogic Tipperary Water Limited	(aj)	Ireland	Holding company	Ordinary	-	100%
Waterlogic UK Limited	(d)	England and Wales	Holding company	Ordinary	-	100%
Waterlogic USA Finance Inc	(w)	United States of America	Finance	Ordinary	-	100%
Waterlogic USA Holdings Inc	(x)	United States of America	Holding company	Ordinary	-	100%
Waterlogic USA Inc	(x)	United States of America	Holding and management service company	Ordinary	-	100%
WLI Trading Limited	(y)	Ireland	Distribution	Ordinary	-	100%
WLI (UK) Limited	(p)	United Kingdom	Service company	Ordinary	-	100%
Zeal Chile S.A.	(ah)	Chile	Distribution and service	Ordinary	-	100%

## Notes to the consolidated financial statements (continued)

### 18. Subsidiaries (continued)

#### Registered office addresses:

- (a) Calle Medea 4, 1º B 28037, Madrid, Spain
- (b) Klangfärgsgatan 10, 42652 Västra Frölunda, Sweden
- (c) Unit 3a and 3b Dakota Business Park, Dakota Way, Burscough, Lancashire, L40 8AF, 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) Te 3000 Leuven, Engels Plein, 35 bus 0101, Belgium
- (g) Lene Haus Vej 15, 7430 Ikast, Denmark
- (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-Bissingen, 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, Sandycourt, 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, Czechia
- (ad) 1145 Budapest, Jávör utca 5/A., Hungary
- (ae) AB Moranvagen 9, 18 640 Vallentuna, Sweden
- (af) 4580 Eastgate Parkway, Unit 3, Mississauga, ON L4W 4KA, Canada
- (ag) 9 Guthrie Street, Hamilton, ML3 6LD, Scotland
- (ah) Isidora Goyenechea, Nro. 3120, Las Condes, Santiago, Chile
- (ai) Valle Insigne 3259, Lo Barnechea, Santiago, Chile
- (aj) Bulmers House, Keeper Road, Crumlin, Dublin 12, Ireland
- (ak) Carrera 26 no. 70-64, Bogotá, Colombia
- (al) Clearview House, Unit 24, Bamel Way, Gloucester Business Park, Brockworth, Gloucester GL3 4BH, United Kingdom
- (am) Industrivägen 15, 17148 Solna, Sweden
- (an) Arauco 541, Santiago, Chile
- (ao) 3 Sarantai Street, Levski Quarter, Poduyane Region, Sofia 1511, Bulgaria
- (ap) Travessa João Veiga Anjos, nº 231, Zona Industrial da Maia 1, Sector IX, 4470-440 Maia, Portugal
- (aq) Cabanillas Industrial Park, Carr #20, Km 5.2 Sector Cubita, Local #7, Guaynabo, 00969 Puerto Rico
- (ar) AAA Coffee Break Bldg, 649 Cubitas St, Bo. Frailes Guaynabo, 00969 Puerto Rico
- (as) Banco Popular Building, Suite 903 206 Tetuán Street, San Juan, 00902 Puerto Rico
- (at) DLA Piper New Zealand, PwC Tower, Level 15, 15 Customs Street West, Auckland, 1010 New Zealand
- (au) 5455 Wilshire Blvd Ste, 1011 Los Angeles, CA 90036 United States of America
- (av) Carrera 46 No.134-70 Bogotá D.C. Colombia
- (aw) Holmejordetveien 24, 3267 Larvik, Norway
- (ax) Molnár utca 11, 2013 Pomáz, Hungary
- (ay) Carrera 33 No. 12-61, Bogotá D.C. Colombia

All subsidiaries have co-terminus accounting periods at 31 December 2021.

## Notes to the consolidated financial statements (continued)

### 18. Subsidiaries (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.

<b>Company name</b>	<b>Company number</b>
Air and Water Limited	13312481
Andrew's Water Treatment Limited	06772267
Angel Springs Holdings Limited	07617386
Aqua Cure Limited	06330499
Aqua Cure (Scotland) Limited	SC232827
Aquapoint Limited	04299366
Billi UK LLP	OC381177
Bronte Spring Water Limited	11769185
Bronte Water Coolers Limited	03338516
Cameron Water Limited	SC181505
Cariad Cool Water Limited	04186182
Fillongley Spring Water Limited	07555626
Fillongley Ventures Limited	07680170
GLGB Limited	08510820
Home 2 Office (Watercoolers) Limited	04972235
Just Order Direct Limited	13313058
Kettletap Direct.com Limited	13312554
Kettletaps Limited	13312794
Kingshill Mineral Water Limited	SC221124
Kleena Coola Limited	04390501
MIW Office Solutions Limited	04366242
MIW Water Cooler Experts Limited	09232360
Office Beverages Limited	09111912
Office Watercoolers (S.W.) Limited	04268234
Pelican Technical Solutions Limited	06764425
Springclear Limited	04434485
Stay Safe Health Limited	13312957
The WCD Group Holdings Limited	05961387
The WCD Group Limited	05072220
Watercoolers Direct Limited	06919355
Waterboilers Direct.com Limited	13312054
Waterlogic Finance Limited	09899276
Waterlogic Finance 2 Limited	11415204
Waterlogic Holdings Limited	09297346
Waterlogic UK Limited	04832980
WLI (UK) Limited	04051205

## Notes to the consolidated financial statements (continued)

### 19. Interests in joint ventures

Details of each of the Group's joint ventures at the end of the reporting period are as follows:

Name of joint venture	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by the group	Proportion of ownership interest and voting rights held by the group
			2021	2020
Philippine Water Dispenser Holdings Limited	Holding company	England and Wales	25%	-

The above joint venture is accounted for using the equity method in these consolidated financial statements, as set out in the Group's accounting policies in note 3. As this entity and its subsidiaries are not material to the Group as a whole, these financial statements do not include the summarised financial information which would otherwise be required in accordance with IFRS.

### 20. Inventories

	2021 \$'000	2020 \$'000
POU machines and spares	53,533	37,615
Consumables	4,188	3,353
	<b>57,721</b>	<b>40,968</b>

### 21. Trade and other receivables

	2021 \$'000	2020 \$'000
Amounts due from customers	95,212	73,882
Allowance for expected credit losses	(15,478)	(12,779)
	<b>79,734</b>	<b>61,103</b>
Other debtors and prepayments	18,633	12,686
Trade and other receivables	<b>98,367</b>	<b>73,789</b>
Contract costs: sales commissions capitalised	4,703	3,663
Trade receivables, other receivables and contract costs	<b>103,070</b>	<b>77,452</b>

Trade receivables are valued at amortised cost. The average credit period offered on sales of goods during 2021 was 23 days (2020: 20 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 0.6% per cent per month (2020: between 0.1 and 0.7 per cent per month) on the outstanding balance. In some countries a fixed fee may be charged and this ranges between \$6 and \$45 (2020: between \$14 and \$49).

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.

## Notes to the consolidated financial statements (continued)

### 21. Trade and other receivables (continued)

#### Trade receivables net of allowance for doubtful debts

	2021 \$'000	2020 \$'000
Gross value of unimpaired trade receivables	78,929	63,028
Gross value of impaired trade receivables	16,283	10,854
Gross value of trade receivables	95,212	73,882
Allowance for expected credit losses/allowance for doubtful debts	(15,478)	(12,779)
	79,734	61,103

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

#### Ageing of receivables

	2021			2020		
	Unimpaired \$'000	Impaired \$'000	Total \$'000	Unimpaired \$'000	Impaired \$'000	Total \$'000
Not overdue	37,408	2,639	40,047	27,759	485	28,244
Overdue between 0 to 30 days	16,902	866	17,768	15,113	277	15,390
Overdue between 31 to 60 days	6,156	482	6,638	4,903	320	5,223
Overdue between 61 to 90 days	4,567	493	5,060	3,575	432	4,007
Overdue more than 90 days	13,896	11,803	25,699	11,678	9,340	21,018
	78,929	16,283	95,212	63,028	10,854	73,882

The average age of unimpaired trade receivables is 46 days (2020: 44 days) and for impaired receivables is 257 days (2020: 275 days).

#### Movement in the allowance for expected credit losses

	2021 \$'000	2020 \$'000
Balance at the beginning of the period	(12,779)	(5,594)
Impairment losses recognised	(6,665)	(9,685)
Amounts written off during the year as uncollectible	2,668	2,336
Reversal of impairment losses recognised on trade receivables	160	699
Amounts recovered during the year	592	45
Other movements	237	27
Foreign exchange translation gains and losses	309	(607)
Balance at the end of the period	(15,478)	(12,779)

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). In some instances receivable balances that have been written off remain subject to enforcement activity.

## Notes to the consolidated financial statements (continued)

### 21. Trade and other receivables (continued)

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.

#### **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 2020	2,801
Commissions capitalised in the year	1,733
Amortisation	(979)
Exchange difference	108
At 31 December 2020	3,663
Commissions capitalised in the year	2,477
Amortisation	(1,403)
Exchange difference	(34)
At 31 December 2021	4,703

Of the carrying value at 31 December 2021, an amount of \$1,777,000 (2020: \$1,225,000) is expected to be amortised over the next twelve months. The remainder will be amortised over a period of between one and eight years.

### 22. Borrowings

	2021 \$'000	2020 \$'000
<b>Secured borrowing at amortised cost</b>		
Bank loans (net of unamortised finance fees)	895,126	775,788
Lease liabilities (note 25)	47,481	42,419
<b>Unsecured borrowing at amortised cost</b>		
Accrued interest due to related parties	53,619	22,586
Related party loans	347,275	325,890
	1,343,501	1,166,683
<b>Amounts due for settlement within twelve months</b>		
Bank borrowings (net of unamortised finance fees)	9,077	367
Lease liabilities (note 25)	12,463	12,388
	21,540	12,755
<b>Amounts due for settlement after twelve months</b>		
Bank borrowings (net of unamortised finance fees)	886,049	775,421
Accrued interest due to related parties	53,619	22,586
Related party loans	347,275	325,890
Bank and other borrowings due for settlement after twelve months	1,286,943	1,123,897
Lease liabilities	35,018	30,031
Amounts due for settlement after twelve months	1,321,961	1,153,928
<b>Total borrowings</b>	<b>1,343,501</b>	<b>1,166,683</b>



## Notes to the consolidated financial statements (continued)

### 22. Borrowings (continued)

Analysis of borrowings by currency:

31 December 2021	US Dollars \$'000	Australian Dollars \$'000	Norwegian Krone \$'000	Euros \$'000	Swedish Krona \$'000	GBP \$'000	Other \$'000	Total \$'000
Bank loans (net of unamortised finance fees)	482,630	-	-	398,425	-	13,690	381	895,126
Accrued interest due to related parties	-	-	-	53,619	-	-	-	53,619
Related party loans	-	-	-	347,275	-	-	-	347,275
Lease liabilities (note 25)	12,853	3,968	1,749	6,562	2,742	9,127	10,480	47,481
	495,483	3,968	1,749	805,881	2,742	22,817	10,861	1,343,501

31 December 2020	US Dollars \$'000	Australian Dollars \$'000	Norwegian Krone \$'000	Euros \$'000	Swedish Krona \$'000	GBP \$'000	Other \$'000	Total \$'000
Bank loans (net of unamortised finance fees)	-	65,938	-	592,823	-	116,624	403	775,788
Accrued interest due to related parties	-	-	-	22,586	-	-	-	22,586
Related party loans	-	-	-	325,890	-	-	-	325,890
Lease liabilities (note 25)	11,932	4,463	2,099	8,014	2,833	8,935	4,143	42,419
	11,932	70,401	2,099	949,313	2,833	125,559	4,546	1,166,683

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 related party loans bear interest at a fixed rate of 10.2% and falls due for repayment in 2030.

At 31 December 2021 the Group had the following principal bank loans:

		Maturity date	Repayable	Rate	Carrying value 31 December 2021 \$'000
Facility B1 EUR	(i)	17 August 2028	In full on maturity	EURIBOR + 4.25%	385,665
Facility B2 USD	(ii)	17 August 2028	Partly by instalments with the balance on maturity	LIBOR + 4.75%	399,000
Revolving Facility EUR	(iii)	17 August 2027	In full on maturity	EURIBOR + 3.0%	12,704
Revolving Facility USD	(iv)	17 August 2027	In full on maturity	LIBOR + 3.0%	77,000
Revolving Facility GBP	(v)	17 August 2027	In full on maturity	SONIA + 3.0%	29,727
					904,096
Other bank borrowings					8,417
Accrued commitment fees					55
Unamortised finance fees					(17,442)
					895,126

Other bank borrowings comprise various loan balances assumed through recent acquisition activity, generally due for repayment within one year. The interest rate on loan amounts included in other bank borrowings is between 0% and 5%.

## Notes to the consolidated financial statements (continued)

### 22. Borrowings (continued)

See below for details of funding as at 31 December 2021:

(i) A Euro denominated loan (B1) which is held by Waterlogic Finance Limited (as borrower) was drawn on 17 August 2021. The loan is repayable in full on the date of maturity, 17 August 2028.

(ii) A United States Dollar denominated loan (B2) which is held by Waterlogic USA Holdings Inc (as borrower) was drawn on 17 August 2021. The loan is partly repayable by instalments of USD 1 million paid every 3 months from the drawdown date. The balance of the loan of USD 373 million is repayable on the date of maturity, 17 August 2028.

(iii) A Euro denominated loan (Revolving Facility EUR) which is held by Waterlogic Finance Limited (as borrower) was drawn on 27 October 2021. The loan is repayable in full on the date of maturity, 17 August 2027, or at any time before at the discretion of the Group.

(iv) A United States Dollar denominated loan (Revolving Facility USD) which is held by Waterlogic Finance Limited (as borrower). USD 33 million was drawn on 27 October 2021, USD 22 million on 29 November 2021 and a further USD 22 million on 24 December 2021. The loan is repayable in full on the date of maturity, 17 August 2027, or at any time before at the discretion of the Group.

(v) A Pounds Sterling denominated loan (Revolving Facility GBP) which is held by Waterlogic Finance Limited (as borrower). GBP 2 million was drawn on 27 October 2021, GBP 12 million on 29 November 2021 and a further GBP 8 million on 29 December 2021. The loan is repayable in full on the date of maturity, 17 August 2027, or at any time before at the discretion of the Group.

At 31 December 2021 the bank loans were guaranteed by various entities within the Group, including the Company, Waterlogic Group Holdings Limited. The bank loans at 31 December 2021 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.

The Group had the following principal bank loans at 31 December 2020:

		Maturity date	Repayable	Rate	Carrying value 31 December 2020 \$'000
Facility B EUR (TLB1)	(i)	14 March 2025	In full on maturity	EURIBOR + 3.75%	251,425
Facility B EUR (UF)	(ii)	14 March 2025	In full on maturity	EURIBOR + 3.75%	88,305
Facility B EUR (UF)	(iii)	14 March 2025	In full on maturity	EURIBOR + 3.75%	132,458
Facility B GBP (TLB2)	(iv)	14 March 2025	In full on maturity	LIBOR + 4.0%	119,438
Facility B AUD (TLB3A)	(v)	14 March 2025	In full on maturity	BBSY + 4.5%	4,625
Facility B AUD (TLB3B)	(vi)	14 March 2025	In full on maturity	BBSY + 4.5%	62,899
Facility B1 EUR (UF)	(vii)	14 March 2025	In full on maturity	EURIBOR + 3.75%	30,662
Facility B1 EUR (UF)	(viii)	14 March 2025	In full on maturity	EURIBOR + 3.75%	104,250
					794,062
Other bank borrowings					374
Accrued commitment fees					24
Unamortised finance fees					(18,672)
					775,788

See below for details of funding as at 31 December 2020:

(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 part of this loan for interest rate risk using an interest rate cap.

(ii) On 31 October 2018 a Euro denominated Uncommitted Facility (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) On 31 July 2019 a Euro denominated Uncommitted Facility ("UF") was drawn by Waterlogic Finance Limited (as borrower), which has become fungible with the TLB1. The loan is repayable in full on the date of maturity, 14 March 2025.

## Notes to the consolidated financial statements (continued)

### 22. Borrowings (continued)

Details of funding as at 31 December 2020 (continued)

(iv) 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. Up until March 2019 the Group hedged a portion of this loan for interest rate risk using an interest rate swap, exchanging variable rate interest for fixed rate interest.

(v) 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 a portion of this loan for interest rate risk using an interest rate cap.

(vi) 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 a portion of this loan for interest rate risk using an interest rate cap.

(vii) In March 2020 a Euro denominated Uncommitted Facility ("UF") was drawn by Waterlogic Finance Limited (as borrower), which has become fungible with the TLB1. The loan is repayable in full on the date of maturity, 14 March 2025.

(viii) In October 2020 a Euro denominated Uncommitted Facility ("UF") was drawn by Waterlogic Finance Limited (as borrower), which has become fungible with the TLB1. The loan is repayable in full on the date of maturity, 14 March 2025.

At 31 December 2020 the bank loans were guaranteed by various entities within the Group, including the Company, Waterlogic Group Holdings Limited. The bank loans at 31 December 2020 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.

The weighted average effective interest rates paid during the period were as follows:

	2021 %	2020 %
Bank loans	4.04	3.85
Related party loans	10.20	10.20

The interest rates on the Facility B1 EUR and Facility B2 USD loans are subject to a sustainability margin adjustment. The margin on the Facility B1 EUR loan is 4.25% per annum and the margin on the Facility B2 USD loan is 4.75% per annum.

Commencing with the Financial Year ending 31 December 2021, the margin applicable to each Facility B Loan shall be adjusted as follows, by reference to the information set out in the relevant sustainability margin adjustment certificate:

- (i) if the Group has achieved none of the target values for the sustainability performance targets, during the relevant sustainability period, the margin applicable to each Facility B Loan shall be increased by 0.075 percentage points per annum;
- (ii) if the Group has achieved one of the target values for the sustainability performance targets, during the relevant sustainability period, the margin applicable to each Facility B Loan shall be reduced by 0.03 percentage points per annum; and
- (iii) if the Group has achieved two of the target values for the sustainability performance targets, during the relevant sustainability period, the margin applicable to each Facility B Loan shall be reduced by 0.075 percentage points per annum.

The sustainability performance targets refer to CO2 emissions and the elimination of plastic bottles. The sustainability margin adjustment certificate is based on an independent review by a qualified, external reviewer.

Related party loans are repayable on 28 April 2030. These loans comprise 10.2% fixed rate unsecured loan notes which were listed on the International Stock Exchange, Guernsey, on 5 November 2020. Interest is payable annually, and any unpaid interest will accrue on an annual non-compounding basis. The loan notes are held by several related parties including the parent undertaking, one minority owner with significant influence and other minority owners without significant influence.

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.

## Notes to the consolidated financial statements (continued)

### 23. Derivative financial instruments

	Current		Non-current	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Derivative financial assets that are designated and effective as hedging instruments carried at fair value:				
– foreign currency forward contracts	-	434	-	-
– interest rate cap	-	-	-	-
	-	434	-	-

During the year, all interest rate and foreign currency hedges entered into by the Group matured. There were no derivative financial liabilities carried at fair value at 31 December 2020 or 2021.

#### *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 hedging instrument.

The Group did not hedge 100% of its CNY purchases, 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 the prevailing market forward rates.

Sources of ineffectiveness in hedges of foreign currency purchases may arise if the timing of the forecast transaction changes from what 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.

In 2020 the Group entered into interest rate caps that had similar critical terms as the hedged item. The hedged item was 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 did not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loan up to the notional amount of the cap.

Sources of hedge ineffectiveness on the 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, hence the notional of the hedging instrument being larger than the actual expected expense.

The cash flow hedges were designated as effective since the date of inception. An amount of \$56,059 (2020: \$277,116) has been recognised in the income statement primarily relating to the release of the time value charge on the cash flow hedges in place during the year.

Further details of derivative financial instruments are provided in note 37.

## Notes to the consolidated financial statements (continued)

### 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 2020	(11,277)	(45,502)	7,311	10,030	(39,438)
Arising on acquisitions	-	(2,888)	-	-	(2,888)
Credit/(debit) to profit and loss	(737)	4,695	(7,208)	6,081	2,831
Debit to other comprehensive income	-	-	(173)	-	(173)
Foreign exchange gains/(losses)	(703)	(3,035)	456	625	(2,657)
At 1 January 2021	(12,717)	(46,730)	386	16,736	(42,325)
Arising on acquisitions	-	(24,039)	-	-	(24,039)
Credit/(debit) to profit and loss	(2,100)	4,302	3,448	687	6,337
Foreign exchange gains/(losses)	447	2,860	45	(589)	2,763
At 31 December 2021	(14,370)	(63,607)	3,879	16,834	(57,264)

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

	2021 \$'000	2020 \$'000
Analysed as:		
Deferred tax assets	4,083	1,994
Deferred tax liabilities	(61,347)	(44,319)
Deferred tax liability – net	(57,264)	(42,325)

In addition to the above, at 31 December 2021 the Group had unrecognised deferred tax assets arising in relation to unused tax losses of \$46,406,000 (2020: \$26,944,000) and other timing differences of \$1,086,000 (2020: \$464,000) available for offset against future profits. Tax losses of \$434,000 expire in 2022, \$505,000 in 2023, \$286,000 in 2024, \$311,000 in 2025 and \$109,000 in 2026. 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.

All unremitted earnings of overseas subsidiaries and joint ventures are continually reinvested by the Group. As no tax is expected to be payable on these earnings in the foreseeable future, no deferred tax liabilities are recorded in relation to them. Earnings which could be remitted on which there would be tax to pay total \$93.0 million (2020: \$34.3 million). The key factor driving the increase from the prior year is the level of retained earnings obtained with acquisitions made during the year.

### 25. Leases

The Group has leases for offices, manufacturing buildings and warehouses, plant and machinery, IT and other office equipment and motor vehicles. With the exception of short term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 17).

## Notes to the consolidated financial statements (continued)

### 25. Leases (continued)

	2021 \$'000	2020 \$'000
<b>Maturity analysis:</b>		
Year 1	15,120	14,830
Year 2	12,300	11,133
Year 3	8,573	8,016
Year 4	5,549	5,449
Year 5	3,534	3,277
Onwards	12,532	5,869
	<b>57,608</b>	<b>48,574</b>
Less: future interest	(10,127)	(6,155)
<b>Lease liabilities</b>	<b>47,481</b>	<b>42,419</b>

	2021 \$'000	2020 \$'000
<b>Analysed as:</b>		
Amounts due for settlement within twelve months (shown under current liabilities)	12,463	12,388
Amounts due for settlement after twelve months	35,018	30,031
	<b>47,481</b>	<b>42,419</b>

The average remaining lease term at 31 December 2021 was 3.8 years (2020: 3.4 years). For the year ended 31 December 2021, the average effective interest rate was 5.9 per cent (2020: 5.7 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. For lease liabilities recognised during the year an incremental borrowing rate of between 3.9% and 9.0% was used (2020: between 3.9% and 7.7%).

#### Lease payments not recognised as a liability

The Group has elected not to recognise a lease liability for short term leases (leases of expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expenses on a straight line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	2021 \$'000	2020 \$'000
Short term leases	268	307
Leases of low value assets	19	20
	<b>287</b>	<b>327</b>

At 31 December 2021 the Group was committed to short term leases and the total commitment at that date was \$149,000 (2020: \$78,000).

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

### 26. Trade and other payables

	2021 \$'000	2020 \$'000
Trade creditors	26,181	16,517
Accruals	23,791	15,355
Other creditors	30,856	35,404
	<b>80,828</b>	<b>67,276</b>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 32 days (2020: 32 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.

## Notes to the consolidated financial statements (continued)

### 26. Trade and other payables (continued)

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 2020	2,858	220	75	289	225	3,667
Provisions in acquired entities	-	-	29	-	307	336
Change in provision	(788)	85	524	222	(71)	(28)
Exchange difference	111	26	35	23	30	225
At 31 December 2020	2,181	331	663	534	491	4,200
Provisions in acquired entities	70	-	209	-	716	995
Change in provision	(157)	35	(64)	(127)	(20)	(333)
Exchange difference	(69)	(26)	(11)	(4)	(46)	(156)
At 31 December 2021	2,025	340	797	403	1,141	4,706
Current	1,946	-	204	107	864	3,121
Non-current	79	340	593	296	277	1,585
At 31 December 2021	2,025	340	797	403	1,141	4,706

#### Warranty provision

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.

#### Statutory retirement scheme

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.

#### Dilapidation provision

The dilapidation provision relates to contractual obligations in respect of certain leasehold properties. \$204,000 of the provision is expected to be utilised within one year, and the remaining \$593,000 between two and five years.

#### Environmental provision

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.

#### Other provisions

Other provisions include: a litigation provision of \$206,000 (2020: \$nil); a lease restoration provision of \$58,000 (2020: \$63,000) in relation to the Group's obligations to restore leased assets to their original condition; a service backlog and exchange provision of \$741,000 (2020: \$164,000); a vehicle repairs provision of \$65,000 (2020: \$165,000), and other provisions of \$71,000 (2020: \$nil). The litigation provision is expected to be utilised within one year, as is \$587,000 of the service backlog and exchange provision and the other provisions of \$71,000; all other amounts are expected to be utilised over a period from two to five years.

## Notes to the consolidated financial statements (continued)

### 28. Deferred and contingent consideration

The Group carries certain contingent liabilities resulting from its business combinations. Certain sellers of the Group's acquired entities are entitled to earn additional earn-out payments in cash based on the entities' subsequent operating performance. This operating performance is based on target revenues or earnings before interest, tax, depreciation and amortisation to be achieved by the acquiree. The Group recorded the acquisition date fair values of these contingent liabilities, based on the likelihood of contingent earn-out payments, as part of the consideration transferred. The earn-out payments are remeasured to fair value at each reporting date, based on actual and forecasted operating performance.

The Group also carries certain deferred consideration liabilities resulting from its business combinations and other transactions. For certain transactions a portion of the total purchase consideration has been held back, typically this is for a period of 12 months.

Deferred and contingent consideration balances are analysed as follows:

	2021 \$'000	2020 \$'000
Deferred consideration – due within one year	18,916	2,115
Contingent consideration – due within one year	4,393	-
Amounts due within one year	23,309	2,115
Deferred consideration – due after more than one year	-	-
Contingent consideration – due after more than one year	1,352	3,925
Amounts due after more than one year	1,352	3,925
<b>Total</b>	<b>24,661</b>	<b>6,040</b>

The following table provides a roll-forward of the fair value of contingent consideration for the years ended 31 December 2021 and 2020.

	Total \$'000
At 31 December 2019	-
Issuance of contingent consideration in connection with acquisitions	3,925
Change in fair value of contingent consideration	-
Payment of contingent consideration	-
Exchange difference	-
At 31 December 2020	3,925
Issuance of contingent consideration in connection with acquisitions	4,289
Change in fair value of contingent consideration	(2,488)
Payment of contingent consideration	-
Exchange difference	19
<b>At 31 December 2021</b>	<b>5,745</b>

The amounts shown above for changes in fair value of contingent consideration are reflected in the consolidated income statement for the relevant year.



## Notes to the consolidated financial statements (continued)

### 29. Issued share capital

	2021 \$'000	2020 \$'000
<b>Issued and fully paid Ordinary shares of £1 each</b>		
At start of year	61,760	58,431
A Ordinary shares issued in the year	11,951	3,329
B Ordinary shares issued in the year	90	-
At end of year	73,801	61,760

#### Issue of new shares

On 28 April 2020 2,675,501 Ordinary shares were issued at par. No cash was received for the issue of these shares, as shareholder loans payable were reduced accordingly. No share premium arose in relation to this transaction.

On 14 May 2021 the entire share capital of the Company of 43,035,890 Ordinary shares of £1 was redenominated to Euros, consisting of 43,035,890 Ordinary shares of EUR 1.1527. On the same date, these Ordinary shares of EUR 1.1527 were subdivided into 496,074,704,030 Ordinary shares of EUR 0.0001; these shares were then consolidated into 4,960,747,040 Ordinary shares of EUR 0.01, and redesignated as A Ordinary shares of EUR 0.01.

On 18 May 2021 the Company allotted 75,544,371 B Ordinary shares of EUR 0.001 for EUR 0.00642 giving rise to a share premium of EUR 0.00542 per share. B Ordinary shares hold full voting rights but are not entitled to participate in distributions without prior investor consent. These shares were issued under the Management Incentive Programme 2 (MIP2) scheme as described in note 11.

The B Ordinary shares carry voting rights in line with the ordinary shares. Whilst each holder of B Ordinary shares will grant each member of the board a limited power of attorney in connection with key items in the shareholder documentation, they are able to freely exercise votes on other matters. The B Ordinary shares are entitled to receive dividends declared at the discretion of the board.

On 29 July 2021 1,001,366,476 A Ordinary shares of EUR 0.01 were issued at par.

	2021 Number	2020 Number
Ordinary Shares in issue at par value	6,037,657,887	43,035,890

	Number
Share capital in issue at 1 January 2020	40,360,389
Shares issued in the year	2,675,501
Share capital in issue at 31 December 2020	43,035,890
Shares issued in the year – B Ordinary	75,544,371
Shares issued in the year – A Ordinary	1,001,366,476
Subdivision of shares	496,031,668,140
Consolidation of shares	(491,113,956,990)
<b>Share capital in issue at 31 December 2021</b>	<b>6,037,657,887</b>
A Ordinary shares	5,962,113,516
B Ordinary shares	75,544,371
<b>Share capital in issue at 31 December 2021</b>	<b>6,037,657,887</b>

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

## Notes to the consolidated financial statements (continued)

### 30. Share premium

	2021 \$'000	2020 \$'000
At start of year	-	-
Shares issued in the year	491	-
At end of year	491	-

### 31. Hedging and translation reserves

	Other capital reserves	Hedging reserve	Translation reserve	Share based payments reserve
	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2020	152	(304)	13,873	-
Exchange differences on translating the net assets of foreign operations	-	-	(11,968)	-
Gain recognised on cash flow hedges	-	629	-	-
Balance at 31 December 2020	152	325	1,905	-
Exchange differences on translating the net assets of foreign operations	-	-	(7,148)	-
Share based payments credit	-	-	-	285
Balance at 31 December 2021	152	325	(5,243)	285

#### 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.

### 32. Retained earnings

	\$'000
Balance at 1 January 2020	(213,578)
Net loss for the year	(118,104)
Other comprehensive income	-
Balance at 31 December 2020	(331,682)
Net loss for the year	(36,833)
Other comprehensive income	-
Balance at 31 December 2021	(368,515)

## Notes to the consolidated financial statements (continued)

### 33. Acquisitions

#### *Merus Refreshment Services*

On 26 February 2021 the Group, through its subsidiary Waterlogic Americas LLC, acquired 100% of the share capital of Merus Refreshment Services ("Merus") for total consideration of \$7.3 million. Merus is a POU and Coffee machines business supplying related consumables based in South Carolina, USA. The objective of the acquisition was to expand Waterlogic's current footprint in the south-eastern region of the US. The preliminary purchase price allocation is set out below.

	Preliminary fair value \$'000
Net assets acquired:	
– property, plant and equipment	650
– right-of-use assets	136
trade receivables	180
– other monetary assets	336
– inventory	104
– monetary liabilities assumed	(241)
– net deferred tax liability	(1,139)
– intangible assets recognised	4,324
<b>Total net assets acquired</b>	<b>4,350</b>
<b>Goodwill recognised</b>	<b>2,942</b>
	<b>7,292</b>
Satisfied by:	
– cash consideration	7,292
	<b>7,292</b>
Net cash flow on acquisition:	
Cash consideration	7,292
Less: cash acquired	(336)
	<b>6,956</b>

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 expected growth of the business from acquiring new customers. None of the goodwill recognised of \$2,942,000 is tax deductible. Of the trade receivable purchased of \$180,000, the gross contractual amount receivable is \$336,000.

An intangible asset of \$4,324,000 has been recognised comprising ongoing customer relationships that existed at the date of acquisition and is being amortised over a period of fifteen years. A deferred tax liability has been recognised in respect of the intangible assets. The amortisation charges of the intangible assets are not deductible for tax purposes.

Acquisition-related costs of \$206,000 have been expensed and are included in administrative expenses as incurred. Merus contributed \$2,846,000 of revenue and \$859,000 of adjusted operating profit to the Group's results for the period between the date of acquisition and the balance sheet date. Had the acquisition of Merus occurred on 1 January 2021, Group revenue would have been approximately \$569,000 higher and Group adjusted operating profit would have been approximately \$172,000 higher.

## Notes to the consolidated financial statements (continued)

### 33. Acquisitions (continued)

#### Quality Water Services Holding LLC

On 9 July 2021 the Group, through its subsidiary Waterlogic Holdings Limited, acquired 100% of the share capital of Quality Water Services Holding LLC ("QWS"), which includes three CGUs, in Chile, Colombia and Puerto Rico, and comprised six companies (Quality Water Service and Distribution Corp., Quality Coffee Service - Puerto Rico Corp., Quality Water Service Colombia SAS., Quality Coffee Service Colombia SAS., Quality Water Service Chile SpA and Quality Coffee Service Chile SpA). The total consideration was \$62.6 million. QWS is a leading provider of bottle-less water dispensers and coffee machines to the corporate, healthcare, education and hospitality industry in each country of operation. The objective of the acquisition was to provide Waterlogic with a platform for growth in the Latin American market which complements the existing businesses Waterlogic has in those markets. The size of QWS and the stage of development allows Waterlogic to use QWS as a base to expand into additional territories in future years. The preliminary purchase price allocation is set out below.

	Preliminary fair value \$'000
Net assets acquired:	
– property, plant and equipment	5,311
– intangible assets	11
– trade receivables	1,575
– other monetary assets	4,992
– inventory	1,801
– monetary liabilities assumed	(4,517)
– net deferred tax liability	(10,320)
– intangible assets recognised	30,818
Total net assets acquired	29,671
Goodwill recognised	32,889
	62,560
Satisfied by:	
– cash consideration	61,691
– deferred consideration	869
	62,560
Net cash flow on acquisition:	
Cash consideration	61,691
Less: cash acquired	(2,734)
	58,957

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 availability of opportunities as a result of entering a new direct market. None of the goodwill recognised of \$32,889,000 is tax deductible. Of the trade receivables purchased of \$1,575,000, the gross contractual amount receivable is \$1,772,000.

Intangible assets of \$30,818,000 have been recognised comprising brand value and ongoing customer relationships that existed at the date of acquisition and are being amortised over periods of one and fifteen years respectively. A deferred tax liability has been recognised in respect of the intangible assets. The amortisation charges of the intangible assets are not deductible for tax purposes.

Acquisition-related costs of \$616,000 have been expensed and are included in administrative expenses as incurred. QWS contributed \$5,881,000 of revenue and \$1,287,000 of adjusted operating profit to the Group's results for the period between the date of acquisition and the balance sheet date. Had the acquisition of QWS occurred on 1 January 2021, Group revenue would have been approximately \$5,977,000 higher and Group adjusted operating profit would have been approximately \$1,935,000 higher.

Deferred consideration \$869,000 is withheld in respect of taxation payable in Chile.

## Notes to the consolidated financial statements (continued)

### 33. Acquisitions (continued)

#### Merquip Limited

On 1 October 2021 the Group, through its subsidiary Waterlogic New Zealand Limited, acquired the trade and assets of Merquip Limited ("Merquip") for a total consideration of \$8.5 million. Merquip is headquartered in Auckland, New Zealand and is a distributor of water coolers and related machines to customers in the New Zealand market. Merquip also holds an exclusive distribution agreement to supply Billi products in New Zealand and the acquisition allows Waterlogic to bring distribution 'in house' (Billi Australia Pty Limited is a wholly owned subsidiary of Waterlogic) and have access to the underlying customer base. The preliminary purchase price allocation is set out below.

	Preliminary fair value \$'000
Net assets acquired:	
– property, plant and equipment	113
– right of use assets	819
– trade receivables	405
– other monetary assets	63
– inventory	866
– monetary liabilities assumed	(1,062)
– net deferred tax liability	(768)
– intangible assets recognised	2,743
Total net assets acquired	3,179
Goodwill recognised	5,289
	8,468
Satisfied by:	
– cash consideration	8,468
	8,468
Net cash flow on acquisition:	
Cash consideration	8,468
	8,468

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. Drivers of goodwill are the availability of opportunities as a result of the expected growth of the business from acquiring new customers and entering a new direct market. None of the goodwill recognised of \$5,289,000 is tax deductible. Of the trade receivables purchased of \$405,000, the gross contractual amount receivable is \$418,000.

Intangible assets of \$2,743,000 have been recognised comprising re-acquired rights (the Billi agreement), brand value, and ongoing customer relationships that existed at the date of acquisition. These are being amortised over periods of three, ten and fifteen years respectively. A deferred tax liability has been recognised in respect of the intangible assets. The amortisation charges of the intangible assets are not deductible for tax purposes.

Acquisition-related costs of \$216,000 have been expensed and are included in administrative expenses as incurred. Merquip contributed \$1,179,000 of revenue and \$240,000 of adjusted operating profit to the Group's results for the period between the date of acquisition and the balance sheet date. Had the acquisition of Merquip occurred on 1 January 2021, Group revenue would have been approximately \$3,462,000 higher and Group adjusted operating profit would have been approximately \$312,000 higher.

## Notes to the consolidated financial statements (continued)

### 33. Acquisitions (continued)

#### MIW Office Solutions Limited

On 1 October 2021 the Group, through its subsidiary Waterlogic GB Limited, acquired 100% of the share capital of MIW Office Solutions Limited ("MIW") for a total consideration of \$11.5 million. MIW is headquartered in Durham, UK, and rents and sells water coolers and air conditioning units to UK business customers and distributors. The company is also a leader within the bottle filling stations in Europe, the Middle East and Africa markets. The rationale for the transaction is to increase MIW sales to wider channels outside the UK through distributing across the current Waterlogic European sales network. The preliminary purchase price allocation is set out below.

	Preliminary fair value \$'000
Net assets acquired:	
– property, plant and equipment	287
– trade receivables	593
– other monetary assets	2,554
– inventory	851
– monetary liabilities assumed	(1,219)
– net deferred tax liability	(1,836)
– intangible assets recognised	7,279
Total net assets acquired	8,509
Goodwill recognised	2,971
	11,480
Satisfied by:	
– cash consideration	10,803
– deferred consideration	357
– contingent consideration	320
	11,480
Net cash flow on acquisition:	
Cash consideration	10,803
Less: cash acquired	(2,516)
	8,287

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 availability of opportunities as a result of the expected growth of the business from acquiring new customers. The goodwill recognised of \$2,971,000 is not tax deductible. Of the trade receivable purchased of \$593,000, the gross contractual amount receivable is \$618,000.

Intangible assets of \$7,279,000 have been recognised comprising brand value and ongoing customer relationships that existed at the date of acquisition and are being amortised over periods of three and fifteen years respectively. A deferred tax liability has been recognised in respect of the intangible assets. The amortisation charges of the intangible assets are not deductible for tax purposes.

Acquisition-related costs of \$493,000 have been expensed and are included in administrative expenses as incurred. MIW contributed \$790,000 of revenue and \$373,000 of adjusted operating profit to the Group's results for the period between the date of acquisition and the balance sheet date. Had the acquisition of MIW occurred on 1 January 2021, Group revenue would have been approximately \$3,275,000 higher and Group adjusted operating profit would have been approximately \$1,288,000 higher.

Deferred consideration of \$357,000, and contingent consideration of \$320,000 based on future revenue targets, are payable six months post acquisition.

## Notes to the consolidated financial statements (continued)

### 33. Acquisitions (continued)

#### The Watercooler Direct Group

On 30 November 2021 the Group, through its subsidiary Waterlogic GB Limited, acquired 100% of the share capital of The WCD Group Holdings Limited ("WCD") and its eight subsidiaries: The WCD Group Limited; Air and Water Limited; Just Order Direct Limited; Kettletap Direct.com Limited; Kettletaps Limited; Stay Safe Health Limited; Waterboilers Direct.com Limited; and Watercoolers Direct Limited. The total consideration was \$12.2 million. Headquartered in Gloucester, WCD is a POU business, supplying under sink chillers and water boilers and taps. The website is a key sales tool for the business. The objective of the acquisition was to continue Waterlogic's growth in the water cooler market in the UK and in particular to leverage the strength which WCD has in e-commerce. The preliminary purchase price allocation is set out below.

	Preliminary fair value \$'000
Net assets acquired:	
– property, plant and equipment	174
– intangible assets	3
– trade receivables	1,499
– other monetary assets	2,367
– inventory	768
– monetary liabilities assumed	(3,313)
– net deferred tax liability	(2,875)
– intangible assets recognised	11,732
<b>Total net assets acquired</b>	<b>10,355</b>
Goodwill recognised	1,803
	<b>12,158</b>
Satisfied by:	
– cash consideration	12,158
	<b>12,158</b>
Net cash flow on acquisition:	
Cash consideration	12,158
Less: cash acquired	(1,107)
	<b>11,051</b>

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 availability of opportunities as a result of the expected growth of the business from acquiring new customers. None of the goodwill recognised of \$1,803,000 is tax deductible. Of the trade receivable purchased of \$1,499,000, the gross contractual amount receivable is \$1,727,000.

Intangible assets of \$11,732,000 have been recognised, comprising brand value and ongoing customer relationships that existed at the date of acquisition and are being amortised over periods of three and fifteen years respectively. A deferred tax liability has been recognised in respect of the intangible assets. The amortisation charges of the intangible assets are not deductible for tax purposes.

Acquisition-related costs of \$746,000 have been expensed and are included in administrative expenses as incurred. WCD contributed \$437,000 of revenue and \$47,000 of adjusted operating profit to the Group's results for the period between the date of acquisition and the balance sheet date. Had the acquisition of WCD occurred on 1 January 2021, Group revenue would have been approximately \$8,530,000 higher and Group adjusted operating profit would have been approximately \$1,063,000 higher.

## Notes to the consolidated financial statements (continued)

### 33. Acquisitions (continued)

#### Advanced Pure Water Inc

On 30 November 2021 the Group, through its subsidiary Waterlogic Americas LLC, acquired 100% of the share capital of Advanced Pure Water Inc ("APW") for the total consideration was \$12.2 million. APW is a commercial point of use ("POU") water company focused on POU rentals and service. It is headquartered in Los Angeles, California and serves a customer base throughout the Southern California area. The objective of the acquisition was to add density to its existing water cooler presence in the US market and in particular for synergy with the existing Waterlogic network in the region. The preliminary purchase price allocation is set out below.

	Preliminary fair value \$'000
Net assets acquired:	
– property, plant and equipment	1,772
– trade receivables	316
– other monetary assets	52
– inventory	35
– monetary liabilities assumed	(4,885)
– net deferred tax liability	(2,341)
– intangible assets recognised	8,894
Total net assets acquired	3,843
Goodwill recognised	8,400
	12,243
Satisfied by:	
– cash consideration	776
– deferred consideration	11,467
	12,243
Net cash flow on acquisition:	
Cash consideration	776
Less: cash acquired	(52)
	724

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 expected growth of the business from acquiring new customers. The goodwill recognised of \$8,400,000 is not tax deductible. Of the trade receivable purchased of \$316,000, the gross contractual amount receivable is \$368,000.

An intangible asset of \$8,894,000 has been recognised comprising non-compete agreement, brand and ongoing customer relationships that existed at the date of acquisition. The intangible assets amortised over periods of four, five, and fifteen years respectively. A deferred tax liability has been recognised in respect of the intangible assets. The amortisation charges of the intangible assets are not deductible for tax purposes.

Acquisition-related costs of \$134,000 have been expensed and are included in administrative expenses as incurred. APW contributed \$252,000 of revenue and \$149,000 of adjusted operating profit to the Group's results for the period between the date of acquisition and the balance sheet date. Had the acquisition of APW occurred on 1 January 2021, Group revenue would have been approximately \$2,715,000 higher and Group adjusted operating profit would have been approximately \$1,992,000 higher.

Deferred consideration comprises a promissory note of \$11,417,000 and a \$50,000 post acquisition payment to the Seller. There is interest payable on the promissory note at a rate of 0.33% per annum and the note is due for repayment on 5 January 2022.



## Notes to the consolidated financial statements (continued)

### 33. Acquisitions (continued)

#### Pure Touch LLC

On 30 November 2021 the Group, through its subsidiary Waterlogic Americas LLC, acquired the trade and assets of Pure Touch LLC ("Pure Touch") for total consideration of \$19.7 million. Pure Touch is a commercial point of use ("POU") water systems company headquartered in Brooklyn, New York, which serves customers in each of the five boroughs of New York City. The objective of the acquisition was to add density to its existing water cooler presence in the US market – particularly in the New York area, where the acquisition will turn the region into the largest Waterlogic market in North America. The preliminary purchase price allocation is set out below.

	Preliminary fair value \$'000
Net assets acquired:	
– property, plant and equipment	1,170
– trade receivables	74
– other monetary assets	130
– monetary liabilities assumed	(6,338)
– intangible assets recognised	14,474
Total net assets acquired	9,510
Goodwill recognised	10,164
	19,674
Satisfied by:	
– cash consideration	19,187
– deferred consideration	487
	19,674
Net cash flow on acquisition:	
Cash consideration	19,187
Less: cash acquired	(130)
	19,057

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 expected growth of the business from acquiring new customers. The goodwill recognised of \$10,164,000 is tax deductible. Of the trade receivable purchased of \$74,000, the gross contractual amount receivable is \$79,000.

An intangible asset of \$14,474,000 has been recognised comprising non-compete agreement, brand and ongoing customer relationships that existed at the date of acquisition. The intangible assets amortised over periods of four, five, and fifteen years respectively. The amortisation charges of the intangible assets will be deductible for tax purposes and a deferred tax liability has not been recognised.

Acquisition-related costs of \$134,000 have been expensed and are included in administrative expenses as incurred. Pure Touch contributed \$331,000 of revenue and \$238,000 of adjusted operating profit to the Group's results for the period between the date of acquisition and the balance sheet date. Had the acquisition of Pure Touch occurred on 1 January 2021, Group revenue would have been approximately \$3,566,000 higher and Group adjusted operating profit would have been approximately \$2,564,000 higher.

Deferred consideration comprises a \$487,000 purchase price adjustment.

## Notes to the consolidated financial statements (continued)

### 33. Acquisitions (continued)

#### Blue Reserve Inc

On 12 December 2021 the Group, through its subsidiary Waterlogic Americas LLC, acquired the trade and assets of Blue Reserve Inc ("Blue Reserve") for total consideration of \$5.2 million. Blue Reserve is a commercial point of use ("POU") water systems and coffee consumable company headquartered in Stoneham, Massachusetts. The objective of the acquisition was to expand Waterlogic's market footprint throughout the Northeast region of the United States. The preliminary purchase price allocation is set out below.

	Preliminary fair value \$'000
Net assets acquired:	
– property, plant and equipment	287
– trade receivables	130
– other monetary assets	151
– inventory	67
– monetary liabilities assumed	(137)
– intangible assets recognised	3,143
Total net assets acquired	3,641
Goodwill recognised	1,564
	5,205
Satisfied by:	
– cash consideration	4,955
– deferred consideration	250
	5,205
Net cash flow on acquisition:	
Cash consideration	4,955
Less: cash acquired	(151)
	4,804

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 expected growth of the business from acquiring new customers. The goodwill recognised of \$1,564,000 is tax deductible. Of the trade receivable purchased of \$130,000, the gross contractual amount receivable is \$163,000.

An intangible asset of \$3,143,000 has been recognised comprising non-compete agreement, brand and ongoing customer relationships that existed at the date of acquisition. The intangible assets are amortised over periods of four, five, and fifteen years respectively. The amortisation charges of the intangible assets will be deductible for tax purposes and a deferred tax liability has not been recognised.

Acquisition-related costs of \$29,000 have been expensed and are included in administrative expenses as incurred. Blue Reserve contributed \$57,000 of revenue and \$19,000 of adjusted operating loss to the Group's results for the period between the date of acquisition and the balance sheet date. Had the acquisition of Blue Reserve occurred on 1 January 2021, Group revenue would have been approximately \$990,000 higher and Group adjusted operating profit would have been approximately \$597,000 higher.

Deferred consideration of \$250,000 is payable 12 months following the transaction.

## Notes to the consolidated financial statements (continued)

### 33. Acquisitions (continued)

#### L&B Water Solutions Limited

On 15 December 2021 the Group, through its subsidiary Waterlogic Americas LLC, acquired the trade and assets of L&B Water Solutions Limited ("L&B") for total consideration of \$9.1 million. L&B is a commercial point of use ("POU") water systems and consumable company headquartered in Cincinnati, Ohio and services customers across Ohio and Southern Indiana. The rationale behind the transaction for Waterlogic is to add density to its existing water cooler presence in the US market. The preliminary purchase price allocation is set out below.

	Preliminary fair value \$'000
Net assets acquired:	
– property, plant and equipment	1,784
– trade receivables	63
– inventory	31
– monetary liabilities assumed	(2,547)
– intangible assets recognised	5,868
Total net assets acquired	5,199
Goodwill recognised	3,932
	9,131
Satisfied by:	
– cash consideration	9,131
	9,131
Net cash flow on acquisition:	
Cash consideration	9,131
	9,131

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 expected growth of the business from acquiring new customers. The goodwill recognised of \$3,932,000 is tax deductible. Of the trade receivable purchased of \$63,000, the gross contractual amount receivable is \$68,000.

An intangible asset of \$5,868,000 has been recognised comprising non-compete agreement, brand and ongoing customer relationships that existed at the date of acquisition. The intangible assets are amortised over periods of five, five, and fifteen years respectively. The amortisation charges of the intangible assets will be deductible for tax purposes and a deferred tax liability has not been recognised.

Acquisition-related costs of \$134,000 have been expensed and are included in administrative expenses as incurred. L&B contributed \$96,000 of revenue and \$63,000 of adjusted operating profit to the Group's results for the period between the date of acquisition and the balance sheet date. Had the acquisition of L&B occurred on 1 January 2021, Group revenue would have been approximately \$1,980,000 higher and Group adjusted operating profit would have been approximately \$1,311,000 higher.

## Notes to the consolidated financial statements (continued)

### 33. Acquisitions (continued)

#### Home 2 Office (Watercoolers) Limited

On 23 December 2021 the Group, through its subsidiary Waterlogic GB Limited, acquired 100% of the share capital of Home 2 Office (Watercoolers) Limited ("H2O"). The total consideration was \$5.6 million. Headquartered in Liverpool, H2O is a POU business, which rents and sells water coolers and water bottles to business customers in north-west England. The objective of the acquisition was to increase Waterlogic's footprint in the UK and further expand its existing geographic presence in north-west England. The preliminary purchase price allocation is set out below.

	Preliminary fair value \$'000
Net assets acquired:	
– property, plant and equipment	474
– trade receivables	351
– other monetary assets	342
– inventory	24
– monetary liabilities assumed	(1,227)
– net deferred tax liability	(988)
– intangible assets recognised	4,067
Total net assets acquired	3,043
Goodwill recognised	2,580
	5,623
Satisfied by:	
– cash consideration	5,355
– deferred consideration	268
	5,623
Net cash flow on acquisition:	
Cash consideration	5,355
Less: cash acquired	(4)
	5,351

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 availability of opportunities as a result of the expected growth of the business from acquiring new customers. None of the goodwill recognised of \$2,580,000 is tax deductible. Of the trade receivable purchased of \$351,000, the gross contractual amount receivable is \$353,000.

Intangible assets of \$4,067,000 have been recognised comprising brand value and ongoing customer relationships that existed at the date of acquisition and are being amortised over periods of five and fifteen years respectively. A deferred tax liability has been recognised in respect of the intangible assets. The amortisation charges of the intangible assets are not deductible for tax.

Acquisition-related costs of \$284,000 have been expensed and are included in administrative expenses as incurred. H2O did not contribute revenue or adjusted operating profit to the Group's results for the period between the date of acquisition and the balance sheet date. Had the acquisition of H2O occurred on 1 January 2021, Group revenue would have been approximately \$1,572,000 higher and Group adjusted operating profit would have been approximately \$403,000 higher.

Deferred consideration of £268,000 is payable on completion subject to final opening balance sheet adjustments.

## Notes to the consolidated financial statements (continued)

### 33. Acquisitions (continued)

#### Aquamaq S.A.

On 30 December 2021 the Group, through its subsidiary Hidrospot S.A.S, acquired 100% of the share capital of Aquamaq S.A. ("Aquamaq") for the total consideration of \$1.8 million. Aquamaq is a Colombian Point of Use ("POU") water cooler based business in Bogota servicing customers in cities and towns across Colombia. The rationale behind the transaction is to add density in a Colombian market where Waterlogic already has existing operations. The transaction will support growth and provide an opportunity to upgrade existing machines, improve services and pricing for a relatively low investment cost. The preliminary purchase price allocation is set out below.

	Preliminary fair value \$'000
Net assets acquired:	
– property, plant and equipment	342
– trade receivables	108
– other monetary assets	102
– inventory	74
– monetary liabilities assumed	(65)
– net deferred tax liability	(337)
– intangible assets recognised	962
Total net assets acquired	1,186
Goodwill recognised	623
	1,809
Satisfied by:	
– cash consideration	1,337
– deferred consideration	472
	1,809
Net cash flow on acquisition:	
Cash consideration	1,337
Less: cash acquired	(100)
	1,237

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 availability of opportunities as a result of the expected growth of the business from acquiring new customers. None of the goodwill recognised of \$623,000 is tax deductible. Of the trade receivable purchased of \$108,000, the gross contractual amount receivable is \$114,000.

Intangible assets of \$962,000 have been recognised comprising non-compete agreement, brand value and ongoing customer relationships that existed at the date of acquisition and are being amortised over periods of three, five and fifteen years respectively. A deferred tax liability has been recognised in respect of the intangible assets. The amortisation charges of the intangible assets are not deductible for tax.

Acquisition-related costs of \$55,000 have been expensed and are included in administrative expenses as incurred. Aquamaq did not contribute revenue or adjusted operating profit to the Group's results for the period between the date of acquisition and the balance sheet date. Had the acquisition of Aquamaq occurred on 1 January 2021, Group revenue would have been approximately \$745,000 higher and Group adjusted operating profit would have been approximately \$325,000 higher.

Deferred consideration of \$472,000 is payable subject to adjustments from any indemnity claims within the holdback period of eighteen months following the acquisition date.

## Notes to the consolidated financial statements (continued)

### 33. Acquisitions (continued)

#### AquaPoint Limited

On 31 December 2021 the Group, through its subsidiary Waterlogic GB Limited, acquired 100% of the share capital of AquaPoint Limited ("AquaPoint") for the total consideration of \$6.4 million. AquaPoint is a POU business, which rents and services water coolers as well as selling water related products from its base in North Yorkshire. The objective of the acquisition was to increase Waterlogic's footprint in the UK and further expand its existing geographic presence in north-east England. The preliminary purchase price allocation is set out below.

	Preliminary fair value \$'000
Net assets acquired:	
– property, plant and equipment	579
– trade receivables	295
– other monetary assets	548
– inventory	17
– monetary liabilities assumed	(1,455)
– net deferred tax liability	(1,123)
– intangible assets recognised	4,258
Total net assets acquired	3,119
Goodwill recognised	3,268
	6,387
Satisfied by:	
– cash consideration	5,063
– deferred consideration	218
– contingent consideration	1,106
	6,387
Net cash flow on acquisition:	
Cash consideration	5,063
Less: cash acquired	(118)
	4,945

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 availability of opportunities as a result of the expected growth of the business from acquiring new customers. None of the goodwill recognised of \$3,268,000 is tax deductible. Of the trade receivable purchased of \$295,000, the gross contractual amount receivable is \$295,000.

Intangible assets of \$4,258,000 have been recognised comprising brand value and ongoing customer relationships that existed at the date of acquisition and are being amortised over periods of five and fifteen years respectively. A deferred tax liability has been recognised in respect of the intangible assets. The amortisation charges of the intangible assets are not deductible for tax.

Acquisition-related costs of \$319,000 have been expensed and are included in administrative expenses as incurred. AquaPoint did not contribute revenue or adjusted operating profit to the Group's results for the period between the date of acquisition and the balance sheet date. Had the acquisition of AquaPoint occurred on 1 January 2021, Group revenue would have been approximately \$1,713,000 higher and Group adjusted operating profit would have been approximately \$353,000 higher.

Contingent consideration of \$1,106,000, payable based on revenue performance of the business, and deferred consideration \$218,000, are payable 12 months post-acquisition.

## Notes to the consolidated financial statements (continued)

### 33. Acquisitions (continued)

#### North America Acquisitions (US and Canada under \$5 million)

Acquisitions made in North America, with a purchase price of less than \$5.0 million, aggregated a total purchase consideration of \$13.1 million in the financial year. The Group acquired the trade and assets of five legal entities (Joe Cristiani's Drinking Water Systems LLC, Arizona, USA; Smart Water Memphis Inc, Memphis, USA; Boresow Water Company LLC, Kansas, USA; American Water Systems LLC, Massachusetts, USA; and Pure Water Technology of Vermontis, Vermont, USA) and 100% of the share capital of Q Water - Drink To Your Health Inc., Toronto, Canada, all being commercial point of use ("POU") water systems businesses. The rationale for the acquisitions was for Waterlogic to increase and add density to its existing water cooler presence in the North American marketplace. The aggregate preliminary purchase price allocation is set out below.

	Preliminary fair value \$'000
Net assets acquired:	
– property, plant and equipment	592
– trade receivables	153
– other monetary assets	58
– inventory	12
– monetary liabilities assumed	(749)
– net deferred tax liability	(416)
– intangible assets recognised	9,464
Total net assets acquired	9,114
Goodwill recognised	4,002
	<b>13,116</b>
Satisfied by:	
– cash consideration	12,020
– deferred consideration	1,096
	<b>13,116</b>
Net cash flow on acquisition:	
Cash consideration	12,020
Less: cash acquired	(52)
	<b>11,968</b>

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 availability of opportunities as a result of the expected growth of the business from acquiring new customers. Of the \$4,002,000 total goodwill recognised, \$2,800,000 related to acquisitions in the USA is tax deductible. Of the trade receivable aggregate purchased of \$153,000, the gross contractual amount receivable is \$167,000.

Intangible assets of \$9,464,000 have been recognised comprising primarily brand value, and ongoing customer relationships that existed at the date of acquisition, and are being amortised over periods of three to five, and ten to fifteen years, respectively. A deferred tax liability has been recognised only in respect of the Canadian intangible assets. The amortisation charges of the intangible assets are deductible for tax purposes in the USA, but not in Canada.

Acquisition-related costs of \$100,000 have been expensed and are included in administrative expenses as incurred. The North American aggregated acquisitions contributed \$255,000 of revenue and \$174,000 of adjusted operating profit to the Group's results for the period between the date of acquisition and the balance sheet date. Had the North American aggregated acquisitions occurred on 1 January 2021, Group revenue would have been approximately \$2,506,000 higher and Group adjusted operating profit would have been approximately \$1,534,000 higher.

Deferred consideration of \$1,096,000 is payable subject to adjustments from any indemnity claims within the holdback period.

## Notes to the consolidated financial statements (continued)

### 33. Acquisitions (continued)

#### European Acquisitions (Finland, Sweden, Norway, Portugal, Bulgaria, and UK, under \$5 million)

Acquisitions made in Europe with a purchase price of less than \$5.0 million aggregated a total purchase consideration of \$13.5 million in the financial year. The Group acquired 100% of the share capital of six legal entities (HBS LDA, Porto, Portugal; Pure Pro OOD, Sofia, Bulgaria; Dalux AB, Stockholm, Sweden; Kaffemann AS, Larvik, Norway; Springclear Limited, Nottingham, England; Kleena Coola Limited, Worcestershire, England) and the trade and assets of Mixtec Oy & Beverage Technology Services Finland Oy, Helsinki, Finland, the businesses acquired being a mixture of commercial suppliers of POU water systems and coffee machines; related consumables, parts and accessories; air purification systems, and kitchen installation and equipment. The rationale for the acquisitions was to continue Waterlogic's expansion into the Nordic and other European markets, to continue its consolidation of the UK water cooler market by enlarging their POU sector for filters and consumable products, and to facilitate additional cross-selling opportunities with existing customers. The aggregate preliminary purchase price allocation is set out below.

	Preliminary fair value \$'000
Net assets acquired:	
– property, plant and equipment	1,343
– intangible assets	9
– right-of-use assets	556
– trade receivables	1,835
– other monetary assets	1,095
– inventory	955
– monetary liabilities assumed	(4,241)
– net deferred tax liability	(1,898)
– intangible assets recognised	9,601
Total net assets acquired	9,257
Goodwill recognised	4,215
	13,472
Satisfied by:	
– cash consideration	9,654
– deferred consideration	2,430
– contingent consideration	1,388
	13,472
Net cash flow on acquisition:	
Cash consideration	9,654
Less: cash acquired	(766)
	8,888

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. The main driver of goodwill is the availability of opportunities as a result of the expected growth of the business from acquiring new customers whilst entering new direct markets. The total goodwill of \$4,215,000 is not tax deductible. Of the trade receivable aggregate purchased of \$1,835,000, the gross contractual amount receivable is \$1,860,000.

Intangible assets of \$9,601,000 have been recognised comprising primarily brand value, and ongoing customer relationships that existed at the date of acquisition, and are being amortised over periods of three to five, and ten to fifteen years, respectively. A deferred tax liability has been recognised in respect of the intangible assets. The amortisation charges of the intangible assets are not deductible for tax purposes.

Acquisition-related costs of \$561,000 have been expensed and are included in administrative expenses as incurred. The European aggregated acquisitions contributed \$3,528,000 of revenue and \$31,000 of adjusted operating loss to the Group's results for the period between the date of acquisition and the balance sheet date. Had the European aggregated acquisitions occurred on 1 January 2021, Group revenue would have been approximately \$12,540,000 higher and Group adjusted operating profit would have been approximately \$1,249,000 higher.

Deferred consideration \$2,430,000 is payable subject to adjustments from any indemnity claims within the holdback period. Contingent consideration \$1,388,000, includes shadow equity rollover of \$992,000 and \$306,000 in Pure Pro OOD and HBS LDA respectively; an earnout payment of \$306,000 subject to future EBITDA performance of HBS LDA in Portugal; and completion account adjustments of \$90,000 in other acquisitions.



## Notes to the consolidated financial statements (continued)

### 34. Notes to the cash flow statement

	Year ended 31 December	
	2021 \$'000	2020 \$'000
<b>Movements in working capital</b>		
(Increase)/decrease in trade and other receivables	(19,996)	9,735
(Increase)/decrease in inventories	(12,959)	5,459
Increase/(decrease) in trade and other payables	7,913	(8,465)
Increase/(decrease) in deferred revenue	524	(766)
<b>Net effect of working capital movements</b>	<b>(24,518)</b>	<b>5,963</b>
<b>Net cash and cash equivalents</b>		
Cash for restricted use	4,288	3,925
Cash	55,422	80,168
<b>Cash and cash equivalents</b>	<b>59,710</b>	<b>84,093</b>
Bank overdrafts	-	-
<b>Net cash and cash equivalents</b>	<b>59,710</b>	<b>84,093</b>

Cash comprises bank and cash balances, short-term bank deposits and money market funds with a weighted average maturity of three months or less. Cash for restricted use is generally cash held in escrow relating to expected future payments due in respect of acquisition activity undertaken in the current year. 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	Related party loans \$'000	Accrued interest due to parent undertaking \$'000	Lease liabilities \$'000	Total borrowings \$'000	Cash and cash equivalents \$'000	Net debt \$'000
<b>Net debt at 1 January 2021:</b>							
Due within twelve months	(367)	-	-	(12,388)	(12,755)	-	(12,755)
Due after more than twelve months	(775,421)	(325,890)	(22,586)	(30,031)	(1,153,928)	-	(1,153,928)
Cash and cash equivalents	-	-	-	-	-	84,093	84,093
<b>At 1 January 2021</b>	<b>(775,788)</b>	<b>(325,890)</b>	<b>(22,586)</b>	<b>(42,419)</b>	<b>(1,166,683)</b>	<b>84,093</b>	<b>(1,082,590)</b>
Cash flows	(125,813)	(48,237)	-	15,783	(158,267)	(22,169)	(180,436)
Non-cash flows	(10,958)	-	(34,004)	(22,133)	(67,095)	-	(67,095)
Foreign exchange gain/(loss)	17,433	26,852	2,971	1,288	48,544	(2,214)	46,330
<b>Net debt at 31 December 2021:</b>							
Due within twelve months	(9,077)	-	-	(12,463)	(21,540)	-	(21,540)
Due after more than twelve months	(886,049)	(347,275)	(53,619)	(35,018)	(1,321,961)	-	(1,321,961)
Cash and cash equivalents	-	-	-	-	-	59,710	59,710
<b>At 31 December 2021</b>	<b>(895,126)</b>	<b>(347,275)</b>	<b>(53,619)</b>	<b>(47,481)</b>	<b>(1,343,501)</b>	<b>59,710</b>	<b>(1,283,791)</b>

## Notes to the consolidated financial statements (continued)

### 34. Notes to the cash flow statement (continued)

#### Reconciliation of movements in net debt (continued)

	Bank Borrowings (net of prepaid fees) \$'000	Related party loans \$'000	Accrued interest due to parent undertaking \$'000	Lease liabilities \$'000	Total borrowings \$'000	Cash and cash equivalents \$'000	Net debt \$'000
Net debt at 1 January 2020:							
Due within twelve months	(18,240)	-	-	(10,894)	(29,134)	-	(29,134)
Due after more than twelve months	(598,485)	(202,218)	(92,521)	(29,256)	(922,480)	-	(922,480)
Cash and cash equivalents	-	-	-	-	-	23,485	23,485
At 1 January 2020	(616,725)	(202,218)	(92,521)	(40,150)	(951,614)	23,485	(928,129)
Cash flows	(98,352)	-	-	13,961	(84,391)	59,351	(25,040)
Non-cash flows	(73)	(99,347)	71,260	(13,736)	(41,896)	-	(41,896)
Foreign exchange gain/(loss)	(60,638)	(24,325)	(1,325)	(2,494)	(88,782)	1,257	(87,525)
Net debt at 31 December 2020:							
Due within twelve months	(367)	-	-	(12,388)	(12,755)	-	(12,755)
Due after more than twelve months	(775,421)	(325,890)	(22,586)	(30,031)	(1,153,928)	-	(1,153,928)
Cash and cash equivalents	-	-	-	-	-	84,093	84,093
At 31 December 2020	(775,788)	(325,890)	(22,586)	(42,419)	(1,166,683)	84,093	(1,082,590)

### 35. Operating lease arrangements

#### The Group as lessor

	Year ended 31 December	
	2021 \$'000	2020 \$'000
Rental income under operating leases recognised in the year	180,949	155,666

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

	2021 \$'000	2020 \$'000
Within one year	144,174	139,362
In the second to fifth years inclusive	129,092	130,911
After five years	1,862	914
	275,128	271,187

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.

### 36. 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 \$4,657,000 (2020: \$3,719,000) and the balance outstanding as at 31 December 2021 was \$75,000 (2020: \$86,000).

## Notes to the consolidated financial statements (continued)

### 37. 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 29 to 32.

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

	2021 \$'000	2020 \$'000
<b>Financial assets</b>		
<i>At amortised cost:</i>		
Cash and cash equivalents	59,710	84,093
Trade and other receivables	94,148	78,721
	<b>153,858</b>	<b>162,814</b>
<i>At fair value:</i>		
Derivative financial instruments in designated hedge accounting relationships	-	434
	<b>153,858</b>	<b>163,248</b>

	2021 \$'000	2020 \$'000
<b>Financial liabilities</b>		
<i>At amortised cost:</i>		
Borrowings	1,296,020	1,124,264
Lease liabilities	47,481	42,419
Trade and other payables	80,828	67,275
Other long-term obligations	8	9
Deferred consideration	24,661	6,040
	<b>1,448,998</b>	<b>1,240,007</b>

## Notes to the consolidated financial statements (continued)

### 37. Financial instruments (continued)

#### Financial assets and liabilities in a designated hedging relationship

Further details of derivatives are provided in note 23.

#### Interest rate cap contracts

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

#### Cash flow hedges

	Average contract fixed interest rate		Notional principal value		Fair value	
	2021 %	2020 %	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Outstanding interest rate caps						
One to three months	-	0.70%	-	341,004	-	-

The Group had previously entered into interest rate cap arrangements in relation to its variable rate loans. These caps have now expired and no further interest cap arrangements have been entered into by the Group.

#### 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 on pages 1 to 9.

#### Foreign currency

The carrying amounts of the Group's currency denominated monetary assets and monetary liabilities at 31 December 2021 and 2020 were as follows:

	Liabilities		Assets	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
US Dollar	(516,631)	(20,432)	36,570	29,385
Euro	(825,689)	(981,523)	25,556	21,163
Swedish Krona	(10,270)	(9,171)	9,319	5,160
Norwegian Kroner	(5,152)	(4,935)	4,245	7,690
GB Pound Sterling	(59,477)	(132,208)	53,110	68,203
Australian Dollar	(12,017)	(80,860)	12,704	19,199
Other currencies	(19,762)	(10,878)	12,354	12,448
	(1,448,998)	(1,240,007)	153,858	183,248

## Notes to the consolidated financial statements (continued)

### 37. Financial Instruments (continued)

#### 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	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>Profit/(loss)</b>				
Australian Dollar impact <sup>(i)</sup>	527	1,064	983	6,833
Norwegian Kroner impact <sup>(ii)</sup>	124	(209)	202	155
Euro impact <sup>(iii)</sup>	81,413	57,441	277	1,331
Pounds Sterling impact <sup>(iv)</sup>	1,912	34,243	(23,854)	(23,700)

(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.

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. 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 2021 would decrease by \$9,051,000 (2020: \$6,853,000). 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 2021 would increase by \$9,051,000 (2020: increase by \$167,000). 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 \$nil (2020: \$72,000). If interest rates had been one per cent lower and all other variables were held constant, other comprehensive income would increase by \$nil (2020: \$73,000).

## Notes to the consolidated financial statements (continued)

### 37. Financial instruments (continued)

#### 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 (2020: 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.

#### 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 2021 the Group had \$1.3 million (2020: \$45.0 million) of unutilised multi-currency revolving credit. 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
<b>31 December 2021</b>						
Trade and other payables	0.0%	80,828	-	-	-	80,828
Lease liabilities	5.9%	4,011	11,109	29,956	12,532	57,608
Variable rate instruments – bank borrowings	5.6%	11,081	38,138	219,303	957,147	1,225,669
Fixed rate instruments – parent company loans	10.2%	-	-	-	642,103	642,103
		95,920	49,247	249,259	1,611,782	2,006,208
<b>31 December 2020</b>						
Trade and other payables	0.0%	67,275	-	-	-	67,275
Lease liabilities	5.7%	3,867	10,963	27,875	5,869	48,574
Variable rate instruments – bank borrowings	3.9%	7,712	23,527	895,285	-	926,524
Fixed rate instruments – parent company loans	10.2%	-	-	-	658,571	658,571
		78,854	34,490	923,160	664,440	1,700,944

## Notes to the consolidated financial statements (continued)

### 37. Financial instruments (continued)

The following table details the Group's expected maturity for its non-derivative financial assets as recognised at 31 December 2021 and 2020. 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.

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
<b>31 December 2021</b>							
Non-interest-bearing	0.00%	141,539	3,484	3,165	1,449	-	149,637
Variable interest rate instruments	0.05%	4,221	-	-	-	-	4,221
		<b>145,760</b>	<b>3,484</b>	<b>3,165</b>	<b>1,449</b>	<b>-</b>	<b>153,858</b>
<b>31 December 2020</b>							
Non-interest-bearing - restated	0.00%	102,012	1,841	7,701	4,680	-	116,233
Variable interest rate instruments	0.09%	47,015	-	-	-	-	47,015
		<b>149,027</b>	<b>1,841</b>	<b>7,701</b>	<b>4,680</b>	<b>-</b>	<b>163,248</b>

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.

The following table details the Group's liquidity analysis for its derivative financial liabilities. 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. There were no derivatives in a liability position as at 31 December 2020 or 2021.

#### Financing facilities

	2021 \$'000	2020 \$'000
<b>Loan facilities</b>		
Committed loan facilities:		
- amount used - related party loans (note 22)	347,275	325,890
- amount used - bank loans net of unamortised finance fees (note 22)	895,126	775,788
- amount unused	1,300	45,011
<b>Total loan facilities</b>	<b>1,243,701</b>	<b>1,146,689</b>

#### 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.

## Notes to the consolidated financial statements (continued)

### 37. Financial instruments (continued)

#### **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 caps 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).

#### **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.



## Notes to the consolidated financial statements (continued)

### 38. Events after the balance sheet date

On 28 March 2022 the group secured an additional revolving credit facility of €76.9 million (equivalent to \$85.0 million). €39.0 million was drawn immediately to fund the acquisition of The Pure Water Company AS and to put additional cash on the balance sheet.

On 31 March 2022 Waterlogic Norge AS acquired 100% of the share capital of The Pure Water Company AS and its subsidiaries based predominantly in Norway for \$36.1 million. The Pure Water Company is an established brand which operates in the Point of Use segment, based on long term contracts with low client churn rate. A reasonable estimate of the financial effects of this transaction cannot be made at the date of signing of these financial statements.

### 39. 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.

#### 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	
	2021 \$'000	2020 \$'000
Short-term employee benefits	6,839	2,286
Post-employment benefits	61	35
Share based payments	32	-
	<b>6,932</b>	<b>2,321</b>

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 3% to 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 2021 the value of the outstanding loans held by the scheme participants was \$8.1 million (31 December 2020: \$4.5 million). There was a loan of \$85,000 at 31 December 2021 (2020: \$81,000) to a related party, that is fully repayable on the completion of a transfer of ownership of the Group.

### 40. Ultimate controlling party

The Company's immediate parent is Firewall Holding s.a.r.l., a company incorporated in Luxembourg. 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 and smallest 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 financial statements

# Company balance sheet

as at 31 December 2021

	Note	2021 £'000	2020 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiary undertakings	C4	37,090	37,090
Loans and other receivables	C5	265,862	238,746
<b>Total non-current assets</b>		<b>302,952</b>	<b>275,836</b>
<b>Current assets</b>			
Trade and other receivables	C6	69,036	16,603
Cash and cash equivalents		21	1
<b>Total current assets</b>		<b>69,057</b>	<b>16,604</b>
<b>Total assets</b>		<b>372,009</b>	<b>292,440</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	C9	51,677	43,036
Share premium	C10	352	-
Share based payment reserve		211	-
Retained earnings		(25,511)	(18,743)
<b>Total equity</b>		<b>26,729</b>	<b>24,293</b>
<b>Non-current liabilities</b>			
Borrowings	C7	332,695	255,292
<b>Total non-current liabilities</b>		<b>332,695</b>	<b>255,292</b>
<b>Current liabilities</b>			
Trade and other payables	C8	12,585	12,855
<b>Total current liabilities</b>		<b>12,585</b>	<b>12,855</b>
<b>Total liabilities</b>		<b>345,280</b>	<b>268,147</b>
<b>Total equity and liabilities</b>		<b>372,009</b>	<b>292,440</b>

The Company's loss for the year was £6,768,000 (2020: loss £6,213,000) and other comprehensive income for the year was £nil (2020: £nil).

The company Financial Statements were approved by the Board of Directors and authorised for issue on 29 April 2022 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 2021

	Note	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2020		40,360	-	-	(12,530)	27,830
Loss for the year		-	-	-	(6,213)	(6,213)
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive loss for the year		-	-	-	(6,213)	(6,213)
Shares issued in the year	C9	2,676	-	-	-	2,676
Balance at 31 December 2020		43,036	-	-	(18,743)	24,293
Loss for the year		-	-	-	(6,768)	(6,768)
Other comprehensive loss for the year		-	-	-	-	-
Total comprehensive loss for the year		-	-	-	(6,768)	(6,768)
Shares issued in the year	C9, C10	8,641	352	-	-	8,993
Share based payments credit	C9	-	-	211	-	211
Balance at 31 December 2021		51,677	352	211	(25,511)	26,729

# Notes to the company financial statements

for the year ended 31 December 2021

## 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 15 of the consolidated Financial Statements.

The Company had no employees other than the Directors in the current and prior year.

## 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 26 'Share based payments';
- 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 104.

As permitted by section 408 Companies Act 2006, the Company has not presented its own statement of comprehensive income. The Company's loss for the year was £6,768,000 (2020: loss £6,213,000) and other comprehensive income for the year was £nil (2020: £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 12.

### 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.

## Notes to the company financial statements (continued)

### 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.

## Notes to the company financial statements (continued)

### 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 judgements and sources of estimation uncertainty

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

## Notes to the company financial statements (continued)

### C3. Critical accounting judgements and sources of estimation uncertainty (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.

There were no estimates or assumptions which had a significant risk of causing a material adjustment to the carrying amount of assets and liabilities for 2020 or 2021.

### C4. Investments in subsidiary undertakings

	£'000
Balance at 1 January 2020	30,293
Investments in the year	6,797
Balance at 31 December 2020	37,090
Investments in the year	-
<b>Balance at 31 December 2021</b>	<b>37,090</b>

During 2020 the Company subscribed for one share in Waterlogic Holdings Limited for a total consideration of GBP 6,797,535 being the release of the obligation to repay part of outstanding interest in the amount of EUR 7,637,030.

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 2021 are set out in note 18 to the Group financial statements.

#### Parent company guarantees

A list of subsidiary companies which are exempt from the requirements under the Companies Act 2006 relating to the audit of financial statements under section 479A of that Act is provided in note 18 to the Group financial statements.

### C5. Non-current assets: loans and other receivables

	2021 £'000	2020 £'000
Loans to Group undertakings	265,862	238,746

Loans to Group companies attract interest at fixed rates of between 10.0% and 10.2% per annum, are unsecured and the majority fall due for repayment in 2044. Interest relating to these loans is contained within note C6.

During the year the Company entered into an additional loan of £7,573,000 with Waterlogic Holdings Limited. This loan is repayable in 2031, is unsecured and attracts interest of LIBOR plus 4.5%.

### C6. Trade and other receivables

	2021 £'000	2020 £'000
Accrued interest due from Group undertakings	38,448	16,517
Other amounts receivable from Group undertakings	30,510	22
Other receivables	78	64
<b>Amounts owed by Group companies</b>	<b>69,036</b>	<b>16,603</b>

Of the £38,448,000 accrued interest due from Group undertakings, £38,000 is repayable within one year; the remainder is repayable after more than one year. Interest is not compounded on accrued interest. The majority of other amounts receivable from Group companies relate to unsecured loans that are repayable on demand.



## Notes to the company financial statements (continued)

### C7. Borrowings

	2021 £'000	2020 £'000
<b>Secured borrowing at amortised cost</b>		
Accrued interest due to related parties	39,682	16,546
Accrued interest due to Group undertakings	309	-
Loans to Group undertakings	35,692	-
Related party loans	257,012	238,746
	<b>332,695</b>	<b>255,292</b>
<b>Amounts due for settlement after twelve months</b>		
Accrued interest due to related parties	39,682	16,546
Accrued interest due to Group undertakings	309	-
Loans to Group undertakings	35,692	-
Related party loans	257,012	238,746
	<b>332,695</b>	<b>255,292</b>

All Related party loans and accrued interest due to related parties are denominated in Euros (2020: Euros). The related party loans and associated accrued interest are repayable after more than five years.

During the year the Company borrowed £35.7 million from a subsidiary company. This loan is repayable in 2044, is unsecured and attracts interest of 10.2% p.a.

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:

	2021 %	2020 %
Related party loans	10.2	10.2

Related party loans are repayable on 28 April 2030. These loans comprise 10.2% fixed rate unsecured loan notes which were listed on the International Stock Exchange, Guernsey, on 5 November 2020. Interest is payable annually, and any unpaid interest will accrue on an annual non-compounding basis. The loan notes are held by several related parties including the parent undertaking, one minority owner with significant influence and other minority owners without significant influence.

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

## Notes to the company financial statements (continued)

### C8. Trade and other payables

	2021 £'000	2020 £'000
Trade creditors	740	886
Amounts owed to group undertakings	7,279	11,875
Accruals	4,566	94
	<b>12,585</b>	<b>12,855</b>

Amounts owed to group undertakings attract interest of between 2.8% and 3%, are unsecured and repayable on demand.

### C9. Share capital and reserves

#### Share capital

	2021 £'000	2020 £'000
<b>Allotted, issued and fully paid Ordinary shares of £1 each</b>		
At start of year	43,036	40,360
Ordinary shares issued in the year	-	2,676
A Ordinary shares issued in the year	8,576	-
B Ordinary shares issued in the year	65	-
	<b>51,677</b>	<b>43,036</b>

#### Issue of new shares

On 28 April 2020 2,675,501 Ordinary shares were issued at par. No share premium arose in relation to this transaction.

On 14 May 2021 the entire share capital of the Company of 43,035,890 Ordinary shares of £1 was redenominated to Euros, consisting of 43,035,890 Ordinary shares of EUR 1.1527. On the same date, these Ordinary shares of EUR 1.1527 were subdivided into 496,074,704,030 Ordinary shares of EUR 0.0001; these shares were then consolidated into 4,960,747,040 Ordinary shares of EUR 0.01, and redesignated as A Ordinary shares of EUR 0.01.

On 18 May 2021 the Company allotted 75,544,371 B Ordinary shares of EUR 0.001 for EUR 0.00642 giving rise to a share premium of EUR 0.00542 per share. B Ordinary shares hold full voting rights but are not entitled to participate in distributions without prior investor consent.

On 29 July 2021 1,001,366,476 A Ordinary shares of EUR 0.01 were issued at par.

	Number
Share capital in issue at 1 January 2020	40,360,389
Shares issued in the year	2,675,501
Share capital in issue at 31 December 2020	43,035,890
Shares issued in the year – B Ordinary	75,544,371
Shares issued in the year – A Ordinary	1,001,366,476
Subdivision of shares	496,031,668,140
Consolidation of shares	(491,113,956,990)
<b>Share capital in issue at 31 December 2021</b>	<b>6,037,657,887</b>

A Ordinary shares	5,962,113,516
B Ordinary shares	75,544,371
<b>Share capital in issue at 31 December 2021</b>	<b>6,037,657,887</b>

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

## Notes to the company financial statements (continued)

### C9. Share capital and reserves (continued)

#### Reserves

The Company's reserves represent the following:

#### Retained earnings

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

#### Share based payments

##### Management Incentive Programme 1 (MIP1)

Some eligible senior employees (the 'employees') participate in a Management Incentive Programme scheme (MIP1), whereby they paid full market value for shares in a non-Group MIP entity, granted to them under MIP1. As the employees paid full market value for the shares there is no benefit to the employees as a result of the issue of the MIP shares to them. Accordingly, no share-based payment charge is recognised in the Group financial statements for the granting of the MIP shares to the employees.

Under MIP1, the employees were able to receive a non-Group funded loan to fund between 0% and 100% of the full market value for the shares granted to them under MIP1. As the loans were issued to the employees on market terms and bear interest at 5% there is no benefit arising from this aspect of the loans. There is a potential benefit to the employees if, on the eventual sale of the Group, the total sale proceeds of the MIP1 shares purchased fall below the loan value plus accrued interest. In this event the recourse to the employees for repayment of the loans is limited to the value of the proceeds received by the employees upon the eventual sale of the shares. Due to the low probability that the circumstances necessary to crystallise this benefit would occur, the potential share based payment charge to the Group is considered to be not material and no charge has therefore been reflected in the financial statements.

##### Management Incentive Programme 2 (MIP2)

In 2021, the Company created a new class of shares, being B Ordinary Shares (the "Growth Shares") and offered these Growth Shares to selected employees of the Company (the "Growth Shareholders" or the "Participants"). Participants invested an amount considered to be equal to the market value of the Growth Shares in order to acquire them. These shares entitle the Growth Shareholders to benefit from any growth in equity value of the Company above a certain level. The Growth Shares are not subject to any performance conditions and vest in full in the event of a sale of the Company by Castik Capital. All Growth Shareholders are entitled to share in the proceeds of the sale of the Company in accordance with the rights attached to the Growth Shares, subject to a defined financial hurdle being met.

### C10. Share premium

	2021 \$'000	2020 \$'000
At start of year	-	-
Shares issued in the year	352	-
At end of year	352	-

### C11. Ultimate controlling party

The Company's immediate parent is Firewall Holding s.a.r.l., a company incorporated in Luxembourg. 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 SL6 1HN.