WATERLOGIC GROUP HOLDINGS LIMITED
COMPANY NUMBER 09297208

Annual Report

Year ended 31 December 2017

Waterlogic Group Holdings Limited

Annual report and accounts 2017

Strategic Report

Business model and strategy

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

Business activity

On 3 January 2017 the Group acquired 100% of the share capital of Aqua Interiör I Laholm AB ("Aqua Interiör") for total consideration of $1.1 million. Aqua Interiör is incorporated in Sweden. The acquisition further strengthens the Group's market presence in Sweden.

On 4 January 2017 the Group acquired 100% of the share capital of Aguapura Aguaviva S.L. ("Aguaviva"), a company incorporated in Spain, for total consideration of $5.3 million. Aguaviva generates broadly 80% of its revenue from the rental of POU machines, 11% from the sale of assets to a lease company and the remainder from direct sales, maintenance and consumable sales. The acquisition was an important part of the geographical growth plan for the Group, as Aguaviva is the market leader in Spain for POU machines.

On 5 July 2017 the Group acquired the trade and certain assets of Mayim Water Inc. ("Mayim") for total consideration of $1.6 million. Mayim sells, distributes, leases and services still and sparkling systems for bottle water service for restaurants in the New York City area in the USA.

On 31 July 2017 the Group acquired the trade and certain assets of Filterworks, for total consideration of $0.3 million, which is a Paid Services water company located in Adelaide, Australia.

On 10 November 2017 the Group acquired 100% of the share capital of La Planète Bleue SAS ("Planète Bleue") for total consideration of $3.6 million. Planète Bleue is a leading provider of POU water coolers to the French market, specialising in POU sales, rental and maintenance and supplying consumables and accessories. The acquisition brings scale growth opportunities and increased market share in France.

On 29 December 2017 the Group acquired the trade and certain assets of Pure Water Technologies Inc. ("PWT") for total consideration of $13.9 million. PWT distributes, leases, installs and services drinking systems in Southern California, USA.

Review of business

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

	Note	2017	2016
Revenue	5	**$252.4 million**	$215.1 million
Operating loss	7	**$(1.0) million**	$(25.7) million
Adjusted operating profit	7	**$33.2 million**	$5.2 million
Adjusted EBITDA	7	**$55.7 million**	$22.2 million
Machines In Field		**396,294**	364,890

The reduction in the operating loss in 2017 was driven by the impact of a full year of One Source Water operating profits in 2017, which was acquired in September 2016 (impact of $2.6 million), a foreign exchange loss of $5.7 million in 2017, which compares to a loss of $30.2 million in 2016 and a year on year reduction in acquisition and integration related costs of $1.9 million. This was partially offset by an increase in the amortisation of acquired intangibles of $1.0 million, due to the acquisitions in 2017 and the impact of a full year of amortisation of acquisitions made in 2016. The operating loss of the business was impacted by the switch to a rental model in Norway which resulted in operating losses in Norway increasing by $2.4 million, and significant investment in the sales strategy in the US and France where employment costs rose by $1.4 million and $1.2 million respectively.

Enterprise Resource Planning ('ERP')

During 2017 the Group embarked on a Global ERP solution which will transform the Group's operational efficiency and the accuracy, breadth, depth and strategic relevance of business information within the Group.

Refinancing

In March 2018, the Group refinanced its Senior Facilities Agreement to reduce its effective interest rates and to give funding capacity for future acquisitions. A new Term Loan B of $444.3 million was drawn and used to settle the existing facilities of $367.1 million, with part of the balance being available to fund the acquisition of Billi Australia Pty Limited and GLGB Limited in March 2018. Additionally, a Revolving Credit Facility was made available of $45.0 million, which remains undrawn at the date of the signing of the accounts.

The consolidated income statement is set out on page 15 and the consolidated balance sheet on pages 17 and 18.

Principal risks and uncertainties

The Group is exposed to a number of 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
Acquisitions and infrastructure The Board intends to continue acquiring businesses. Any acquisition that cannot be successfully integrated, or does not provide the incremental economic value expected at the time of acquisition, could have a negative effect on the Group's performance. As the Group expands there is a risk that its infrastructure may not be sufficiently robust to ensure that operational efficiency is maximised and economies of scale are realised.	Board approval is required prior to any significant transaction and appropriate financial, legal, technical and other due diligence reviews are carried out. The Group has taken steps to strengthen its post-acquisition integration planning. Budgets are set for all newly acquired businesses and potential synergies are identified and tracked.	The performance of acquired businesses against defined budgets is closely monitored. Post-acquisition reviews are carried out to assess the extent to which expectations set out in the original Board proposals have been realised.
Technology, innovation and intellectual property Researching and developing new products is complex, costly and time-consuming. There is a risk that competitors may develop new technologies, like Firewall, or innovative applications of existing technologies, that undermine the Group's competitive advantage. The Group could fail to recognise intellectual property, fail to seek appropriate security over rights to intellectual property, or fail to obtain security for reasons outside the Group's control. The Group could breach other parties' intellectual property rights.	The Group continues to invest in research and development of new technologies. The Group relies on a combination of patents, copyright, trademarks, design registrations, trade secrecy laws, confidentiality procedures and contractual provisions to protect its intellectual property rights. Comprehensive searches are carried out before any application to register a patent or trademark is lodged and competitors' new product launches, trademarks and domain names are monitored to identify potential conflicts between the Group's and other parties' rights.	The development of new products and technologies is closely monitored. Development initiatives are driven from commercial business teams, are reviewed by Product Development and committed in the light of Group strategic priorities.

Principal risks and uncertainties (continued)

Description	Mitigation	Risk monitoring
Manufacturing The Group's strategy is to manufacture to order so as to minimise finished goods inventory held at the factory and within its supply chain. Any disruption to manufacturing operations and/or inbound or outbound supply chains could extend delivery lead times. Disruption can also be caused by political change or uncertainty. Labour costs in the PRC continue to rise and price and availability of raw materials and components are subject to inherent uncertainty. An appreciation of the Chinese Renminbi against the US Dollar could represent a factor in the competitiveness of the Group's manufacturing costs.	The Group employs a number of measures including identifying multiple suppliers, safeguarding its manufacturing and logistics infrastructure against disruption, maintaining business interruption insurance and holding inventory at subsidiaries.	Materials costs and labour productivity are closely monitored.
Product reputation and product liability Any factor or event that adversely affects customers' perception of the quality and reliability of the Group's products could affect its ability to maintain or increase revenue.	The Group's products incorporate a range of design and technical features that reduce the risk of contamination in the course of normal use. The Group operates rigorous quality assurance and control procedures both during manufacturing and prior to delivery/installation of its products. Recommended maintenance procedures ensure cleanliness and hygiene. The Group also maintains public and product liability insurance against liabilities to third parties.	Product quality is constantly monitored through the Group's review of supply chain partners, production Quality Assurance and Pre-delivery processes.
Continuity of supply and quality The provision and quality of natural mineral water is essential for the bottled water business, predominantly in the UK. There is a risk that the Group could fail to meet demand during peak summer periods. The Group is also exposed to quality of supply risk. Barriers to entry are low in the bottled water market in the UK and localised suppliers have the potential to gain business if the Group is unable to meet the customers' demands for quality product.	The provision and quality of natural mineral water is constantly reviewed and maintained to ensure that the Group can cope with demand peaks over the summer period. Relationships with second-string suppliers are maintained to further strengthen the Group's ability to ensure continuity of supply during peak periods of demand. The Group's policy is to purchase from British Water Cooler Association ("BWCA") accredited suppliers wherever possible.	The provision and quality of natural mineral water is constantly reviewed and maintained to ensure that the Group can cope with demand peaks over the summer period.

Principal risks and uncertainties (continued)

Description	Mitigation	Risk monitoring
Funding and liquidity		
At 31 December 2017 the Group had a $375.1 million facility (2016: $318.8 million) of which $354.1 million had been drawn down (2016: $307.8 million). There is a risk that the Group could fail to fulfil its obligations under the covenant attached to the facility. The Group is also exposed to interest rate risk.	Robust cash forecasting procedures are in place. Fixed rate swaps and a cap have been contracted to hedge the interest rates on the term loans. At the beginning of March 2018, the Group refinanced its existing Senior Facilities Agreement ("SFA") to reduce the effective interest rates paid by the Group and to give additional capacity for accretive acquisition activity. A new Term Loan B ("TLB") amounting to $444.3 million was made available and drawn immediately, with the funds used to settle all existing facilities in an amount of $367.1 million, with the balance being available to: (i) Fund the acquisition of Billi Australia Pty Limited and GLGB Limited and (ii) leave cash on the balance sheet. Additionally, a multi-purpose Revolving Credit Facility ("RCF") was made available for an amount of $45.0 million, the RCF remains undrawn as at the date of signing of the accounts.	Cash flow forecasts are monitored weekly.
ERP Solution Roll out During 2017 the Group embarked on a Global ERP solution which will transform the Group's operational efficiency and the accuracy, breadth, depth and strategic relevance of business information within the Group. The primary risk is that the ERP solution does not meet these objectives following implementation. There is also a risk that the ERP project could overrun on implementation deadlines or on cost. Additionally there is a risk that the implementation could cause undue business disruption during or immediately after the implementation date.	The Directors of the Group have engaged a Global ERP Delivery Director to manage the ERP development project and the associated costs. The project is also overseen by a Steering Committee, which meets regularly to provide input to the work stream team leaders. The project has a detailed annual cost budget which the Global ERP Delivery Director controls spend against.	The progress and risk profile of the ERP project is reviewed by the Directors during the regular Board Meetings.

Strategic Report (continued)

Principal risks and uncertainties (continued)

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

Going concern basis

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

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in this Strategic Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also described within the financial statements. In addition, note 35 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 $590.6 million (2016: $486.3 million), of which $271.4 million was due to the parent undertaking (2016: $211.6 million), with a committed but unutilised revolving credit facility of $4.4 million (2016: $6.2 million), a committed but unutilised acquisition facility of $nil (2016: $4.8 million) and a committed but unutilised incremental facility of $16.9 million (2016 $nil). Net liabilities were $60.4 million (2016: $10.6 million). The Group had net current assets of $31.9 million at 31 December 2017 (31 December 2016: $23.9 million) including cash and cash equivalents of $21.9 million (31 December 2016: $18.5 million). During the period to 12 January 2016 the various bank loans held were subject to covenants relating to Group performance measures, namely cash flow cover, interest cover and leveraging. From 12 January 2016 the only covenant in place was leveraging and this was met during the period.

As outlined above, at the beginning of March 2018, the Group refinanced its existing SFA to reduce the effective interest rates paid by the group and to give additional capacity for acquisition activity. A new Term Loan B ("TLB") amounting to $444.3 million was made available and drawn immediately, with the funds used to settle all existing facilities for an amount of $367.1 million, with the balance being available to fund the acquisition of Billy Australia Pty Limited and GLGB Limited and to increase the cash on the balance sheet. Additionally, a multi-purpose Revolving Credit Facility ("RCF") was also made available for an amount of $45.0 million, the RCF remains undrawn. There is an appropriate level of headroom on the new loan covenants for a period of at least twelve months.

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

Future prospects

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

Approval

This report was approved by the Board of Directors on 26 April 2018 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 2017.

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 35 to the Financial Statements.

Dividends

The Board does not propose a dividend for the year (2016: $nil). The dividend policy continues to be reviewed regularly by the Board.

Capital structure

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

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

Research and development

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

Directors

The Directors, who served throughout the year except as noted, were as follows:

Jeremy Ben-David – Group CEO

Simon Bolton

John Dundon – Non-Executive (resigned 29 December 2017)

Huw Jenkins – Group CFO

Mark Taylor

Directors' indemnities

The Company has in place third party indemnity insurance for the benefit of its Directors which remains in force at the date of this report.

Acquisition of the Company's own shares

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

Disabled employees

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

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings, periodic e-mails and quarterly employee newsletters.

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 36 to the Financial Statements.

Auditor

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

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

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

By order of the Board

Huw Jenkins
Group Chief Financial Officer
26 April 2018

1 Grenfell Road
Maidenhead
Berkshire
SL6 1HN

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Consolidated Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and the Company Financial Statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102"). The Financial Statements are required by law to be properly prepared in accordance with the Companies Act 2006.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- 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 IFRS or FRS 102 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 disclose with reasonable accuracy at any time the financial position of the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Modern Slavery and Human Trafficking Statement

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

Organisation's structure and supply chain

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

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

APPLICABLE POLICIES AND PROCEDURES

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

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

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

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

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

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

Due diligence processes for slavery and human trafficking

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

Supplier adherence to our values and ethics

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

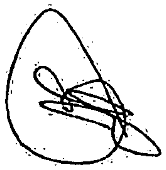
Training

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

Modern Slavery and Human Trafficking Statement (continued)

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes the Waterlogic Group's slavery and human trafficking statement for the financial year ending 2017.

SIGNATURE OF DIRECTOR:



Jeremy Ben - David

WATERLOGIC GROUP HOLDINGS LIMITED

26 April 2018

Independent auditor's report

to the members of Waterlogic Group Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Waterlogic Group Holdings Limited (the 'parent company') and its subsidiaries (the 'group') 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 38 and C1 to C11.

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

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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Independent auditor's report

to the members of Waterlogic Group Holdings Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Independent auditor's report

to the members of Waterlogic Group Holdings Limited (continued)

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Tobias Wright

Tobias Wright FCA
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
26 April 2018

Consolidated income statement

for the year ended 31 December 2017

	Note	Year ended 31 December 2017 $'000	2016 $'000
Continuing operations			
Revenue	5	**252,380**	215,060
Cost of sales		**(104,295)**	(92,537)
Gross profit		**148,085**	122,523
Administrative expenses		**(138,948)**	(112,837)
Distribution expenses		**(501)**	(1,001)
Marketing expenses		**(4,366)**	(3,308)
Other gains and losses	8	**(5,220)**	(31,055)
Operating loss	7	**(950)**	(25,678)
Adjustment for the effect of:			
Corporate reorganisation costs	7	**855**	413
Acquisition and integration related costs	7	**3,635**	4,400
Impairment of investment in joint venture	7	**-**	483
Amortisation of acquired intangibles	7	**29,572**	25,585
Group ERP implementation costs	7	**56**	-
Adjusted operating profit		**33,168**	5,203
Finance income	9	**86**	69
Finance costs	10	**(43,380)**	(38,151)
Loss before tax		**(44,244)**	(63,760)
Income tax credit	13	**4,559**	6,434
Loss for the year	7	**(39,685)**	(57,326)
Loss attributable to:			
Owners of the Company		**(39,685)**	(57, 326)
		(39,685)	(57,326)

Consolidated statement of comprehensive income

for the year ended 31 December 2017

	Note	Year ended 31 December 2017 $'000	2016 $'000
Loss for the year	7	**(39,685)**	(57,326)
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges: gains/(losses) arising during the period	35	**672**	(656)
Exchange differences on translation of foreign operations		**(16,767)**	35,027
Income tax relating to items that may be reclassified		**(142)**	133
Total comprehensive loss for the year		**(55,922)**	(22,822)
Total comprehensive loss attributable to:			
Owners of the Company		**(55,922)**	(22,822)
		(55,922)	(22,822)

Consolidated balance sheet

as at 31 December 2017

	Note	2017 $'000	2016 $000
ASSETS			
Non-current assets			
Goodwill	15	**217,004**	191,976
Other intangible assets	16	**246,965**	245,156
Property, plant and equipment	17	**82,553**	65,300
Assets held for sale	18	**165**	200
Total non-current assets		**546,687**	502,632
Current assets			
Inventories	20	**25,700**	21,015
Trade and other receivables	21	**57,419**	46,800
Cash and cash equivalents	32	**21,864**	18,464
Total current assets		**104,983**	86,279
Total assets		**651,670**	588,911
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	28	**57,722**	51,590
Translation reserve	29	**14,471**	31,238
Hedging reserve	29	**(281)**	(811)
Other reserves	29	**152**	152
Retained earnings	30	**(132,445)**	(92,760)
Equity attributable to Shareholders		**(60,381)**	(10,591)
Total equity		**(60,381)**	(10,591)

Consolidated balance sheet (continued)

as at 31 December 2017

	Note	2017 $'000	2016 $000
EQUITY AND LIABILITIES continued			
Non-current liabilities			
Borrowings:			
– bank and other borrowings		**606,337**	501,531
– obligations under finance leases	22, 25	**463**	294
Total borrowings	22	**606,800**	501,825
Derivative financial instruments	23, 35	**221**	971
Deferred tax liability	24	**30,870**	33,420
Provisions	27	**1,116**	879
Other long-term obligations		**8**	-
Total non-current liabilities		**639,015**	537,095
Current liabilities			
Trade and other payables	26	**40,870**	34,757
Borrowings:			
– bank and other borrowings		**5,379**	2,686
– obligations under finance leases	22, 25	**283**	293
Total borrowings	22	**5,662**	2,979
Current tax liabilities		**3,287**	1,583
Provisions	27	**501**	745
Deferred revenue		**22,398**	21,827
Derivative financial instruments	23, 35	**79**	-
Deferred consideration		**239**	516
Total current liabilities		**73,036**	62,407
Total liabilities		**712,051**	599,502
Total equity and liabilities		**651,670**	588,911

The consolidated Financial Statements were approved by the Board of Directors and authorised for issue on 26 April 2018 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 2017

	Share capital $'000	Translation reserve $'000	Hedging reserve $'000	Other reserves $'000	Retained earnings $'000	Total $'000
Balance at 1 January 2016	32,815	(3,789)	(288)	152	(35,434)	(6,544)
Loss for the year	-	-	-	-	(57,326)	(57,326)
Shares issued in the period	18,775	-	-	-	-	18,775
Other comprehensive income	-	35,027	(523)	-	-	34,504
Balance at 1 January 2017	51,590	31,238	(811)	152	(92,760)	(10,591)
Loss for the year	-	-	-	-	(39,685)	(39,685)
Shares issued in the period	6,132	-	-	-	-	6,132
Other comprehensive income	-	(16,767)	530	-	-	(16,237)
Balance at 31 December 2017	**57,722**	**14,471**	**(281)**	**152**	**(132,445)**	**(60,381)**

Consolidated cash flow statement

for the year ended 31 December 2017

	Note	Year ended 31 December 2017 $'000	2016 $'000
Loss after tax for the year		**(39,685)**	(57,326)
Adjustments:			
– depreciation and amortisation		**52,112**	42,603
– share based incentive expense	11	**-**	39
– income tax credit	13	**(4,559)**	(6,434)
– net interest expense and changes in the fair value of derivative financial instruments		**43,294**	38,081
– loss on disposal of non-current assets		**7**	37
– share of loss/(profit) of equity accounted joint venture	8	**21**	(4)
– impairment of investment in joint venture	18	**-**	483
– foreign exchange movements	8	**5,681**	30,217
Adjusted operating profit before working capital movements		**56,871**	47,696
Net effect of working capital movements	32	**(9,334)**	(9,289)
Cash flow before purchase of rental assets, interest and tax		**47,537**	38,407
Purchases of rental assets		**(23,115)**	(15,947)
Proceeds on disposal of rental assets		**100**	6
Interest paid		**(19,867)**	(17,229)
Tax paid		**(212)**	(2,329)
Net cash from operating activities		**4,443**	2,908
Investing activities			
Interest received		**86**	69
Proceeds on disposal of property, plant and equipment		**151**	198
Purchases of property, plant and equipment		**(5,519)**	(3,832)
Purchases of intangible assets		**(4,832)**	(4,272)
Acquisitions, net of cash acquired		**(24,709)**	(221,984)
Deferred consideration paid		**(517)**	-
Net cash used in investing activities		**(35,340)**	(229,821)
Financing activities			
Proceeds from the issue of new shares (net of costs)	28	**6,132**	18,775
New bank loans and other borrowings raised		**28,243**	266,121
Repayment of bank loans and other financing		**(1,375)**	(55,493)
Net cash from financing activities		**33,000**	229,403
Translation differences		**1,297**	(981)
Net increase in cash and cash equivalents		**3,400**	1,509
Net cash and cash equivalents at beginning of year		**18,464**	16,955
Net cash and cash equivalents at end of year	32	**21,864**	18,464

Notes to the consolidated financial statements

for the year ended 31 December 2017

1. General information

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

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

The consolidated Financial Statements present the financial record of the Group for the year ended 31 December 2017.

Companies in the consolidated financial information

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

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

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

- Amendments to IFRS 11, 'Joint arrangements' on the accounting for acquisitions of interests in joint operations
- Amendments to IAS 1, 'Presentation of financial statements' which clarifies existing IAS 1 requirements
- Amendments to IAS 16, 'Plant, property and equipment' and IAS 38, 'Intangible assets' which clarifies acceptable methods *of depreciation and amortisation*
- Amendments to IAS 27, 'Consolidated and separate financial statements' which allow an entity to use the equity method as described in IAS 28 to account for its investments in subsidiaries
- IFRS 9, 'Financial instruments'
- IFRS 15, 'Revenue from contracts with customers'
- IFRS 16, 'Leases'
- Amendments to IFRS 10, 'Consolidated financial statements', IFRS 12, 'Disclosure of interests in other entities' and IAS 28, 'Investments in associates and joint ventures' on applying the consolidation exception
- Amendments to IAS 7, 'Statement of cashflows' on the disclosures in financial statements
- Amendments to IAS 12, 'Income taxes' on the recognition of deferred tax assets for unrealised losses
- Annual Improvements 2012-14 cycle

IFRS 9 will supersede IAS 39 in its entirety, and is effective for accounting periods commencing on or after 1 January 2018. The new standard is broadly split into three areas:

- Classification and measurement. New classification and measurement criteria require financial instruments to be classified into one of three categories being amortised cost, fair value through other comprehensive income or fair value. Classification will be determined by the business model and contractual cash flow characteristics of the instruments.
- Expected credit losses (ECL). The requirement to recognise impairment losses based on ECL methodology is a change to the current requirements whereby losses are only recognised once an impairment event has happened.
- Hedge accounting. The general hedge accounting mechanisms of IAS 39 have been retained, however greater flexibility has been introduced over the instruments eligible for hedge accounting and effectiveness testing has been more closely aligned with the underlying risk management practices of the entity.

The Group is currently implementing a project to assess the impact of IFRS 9 and implement systems to ensure ongoing compliance with its requirements.

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes a number of existing standards and interpretations from its effective date for accounting periods beginning on or after 1 January 2018. IFRS 15 introduces principles to recognise revenue by allocation of the transaction price to performance obligations. IFRS 15 will apply to the Group's revenue and other operating income, superseding IAS 18. Income from financial instruments will continue to be recognised under IAS 39/IFRS 9.

IFRS 16 specifies how an entity will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 supersedes IAS 17 and applies to accounting periods beginning on or after 1 January 2019.

The Group is reviewing the requirements of IFRS 15 and 16 to determine their impact.

Notes to the consolidated financial statements (continued)

3. Significant accounting policies

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

Basis of preparation

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

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

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

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

Going concern

The Group's business activities and position in the market are described in the Strategic Report. The Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertainties within the global economy. Accordingly, the Directors consider it appropriate to prepare the Financial Statements on a going concern basis. Further detail is contained in the Strategic Report on pages 1 to 6.

Basis of consolidation

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

Income and expenses of subsidiaries acquired during the year to 31 December 2017 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.

3. Significant accounting policies (continued)

Business combinations

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

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

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

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

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

Goodwill

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

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

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units ("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.

Joint ventures

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

3. Significant accounting policies (continued)

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 when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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".

Sales of goods

Sales of goods are either "direct" to end-user customers or "indirect" to wholesale distributors. Revenue from the supply of goods is recognised as soon as substantially all risks and rewards relating to the title of the goods have been transferred to the customer.

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.

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 the sale to the third party transfers substantially all of the risks and rewards of ownership 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.

Rental income

Rental income is made up of (i) revenue from services and (ii) revenue from the supply of goods where the Group is lessor in an operating lease. Revenue for rental services is recognised proportionately over the duration of the rental agreement and revenue for operating leases is recognised proportionally over the duration of the lease.

Supply of services and installations

Sales of services are recognised proportionally over the duration of the service period, provided a right to consideration has been established. Fees charged for installation of goods at customer premises are recognised at the time installation is successfully completed, whether the goods are supplied subject to a sale or lease agreement.

Late fees

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

Interest income

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

Leasing

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

3. Significant accounting policies (continued)

Leasing (continued)

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. Hitherto, these costs have been insignificant and as such have been expensed as incurred.

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

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

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

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

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

Foreign currencies
The individual Financial Statements of each subsidiary are presented in the currency of the primary economic environment in which it operates (its functional currency). Following the acquisition of the Waterlogic Group on 6 January 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.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

3. Significant accounting policies (continued)

Operating profit

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

Adjusted profitability measures

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

Retirement benefit costs

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

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

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

Tangible and intangible assets

Property, plant and equipment

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

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

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

3. Significant accounting policies (continued)

Tangible and intangible assets (continued)

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

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

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

Non-current assets held for sale

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

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

Intangible assets – useful economic lives

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

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

Internally generated intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Group's development of new and enhanced water dispenser, water purification devices or related consumable items is recognised only if all of the following conditions are met:

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

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

Purchased patents and trademarks

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

Purchased customer lists and rental contracts (customer relationships)

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

Other purchased intangibles

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

Impairment of tangible and intangible assets excluding goodwill

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

3. Significant accounting policies (continued)

Tangible and intangible assets (continued)

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

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease to the extent that the revaluation balance is greater than the impairment loss.

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

Inventories

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

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 are classified into the following specified categories: financial assets at "fair value through profit and loss" ("FVTPL"), "held-to-maturity" investments, "available-for-sale" ("AFS") financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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

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

Classes of financial asset

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling 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 asset other than a financial asset 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

3. Significant accounting policies (continued)

- **Financial instruments** (continued)
- the financial asset 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 IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as 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 35.

Loans and receivables

Trade receivables, 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. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, 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.

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.

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.

3. Significant accounting policies (continued)

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.

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 IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in the income statement. The net gain or loss recognised in the income statement incorporates any interest paid on the financial liability and is included in the "other gains and losses" line item in the income statement. Fair value is determined in the manner described in note 35.

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 cross currency swaps. Further details of derivative financial instruments are disclosed in note 35.

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.

3. Significant accounting policies (continued)

Derivative financial instruments (continued)

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 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.

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. 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 is recognised in 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.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the Income Statement.

Notes 23 and 35 set out details of the fair values of any derivative instruments used for hedging purposes.

Share based incentives

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

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

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

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

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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 have been insignificant and to date have been expensed as incurred.

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

Where rental agreements are taken over following a trade purchase or similar transaction, the remaining useful economic life of any related equipment is evaluated, taking into consideration technological obsolescence and ongoing maintenance requirements.

Key sources of estimation uncertainty

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

Valuing acquired intangible assets

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

Recoverability of internally generated intangible asset

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

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

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

Impairment of goodwill

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

Allowance for doubtful debts

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

5. Revenue

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

	Year ended 31 December	
	2017 $'000	2016 $'000
Continuing operations		
Direct revenue	**44,972**	47,935
Indirect revenue	**46,397**	42,136
Rental and service income	**161,011**	124,989
Total revenue	**252,380**	215,060

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

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

	Year ended 31 December	
	2017 $'000	2016 $'000
Continuing operations		
UK and mainland Europe	**131,666**	121,149
Scandinavia	**30,067**	29,995
USA	**64,955**	39,176
Australia	**25,379**	24,456
Rest of the world	**313**	284
Total revenue	**252,380**	215,060

6. Auditor's fees

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

	Year ended 31 December	
	2017 $'000	2016 $'000
Audit services and audit related services		
Fees payable to the Group's auditor and its associates for the audit of the Company's annual accounts	**8**	8
Fees payable to the Group's auditor and its associates for the audit of the Company's subsidiaries	**863**	686
Total audit fees	**871**	694
Other services		
Other taxation services	**160**	287
Other non-audit services	**-**	4
Total non-audit services	**160**	291
Total	**1,031**	985

No services were provided pursuant to contingent fee arrangements.

Notes to the consolidated financial statements (continued)

7. Loss for the year

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

	Note	Year ended 31 December 2017 $'000	2016 $'000
Net foreign exchange losses		**5,682**	30,217
Research and development costs		**1,183**	1,357
Depreciation of property, plant and equipment	17	**21,140**	15,956
Loss on disposal of property, plant and equipment		**7**	37
Amortisation of acquired intangibles	16	**29,572**	25,585
Amortisation of other intangibles	16	**1,400**	1,062
Impairment of investment in joint venture		**-**	483
Operating lease rental expense	33	**8,851**	6,795
Cost of inventories recognised as an expense		**35,803**	35,981
Write downs of inventories recognised as an expense		**71**	157
Reversal of write downs of inventories recognised as a credit		**(48)**	(26)
Staff costs:			
– corporate reorganisation		**661**	413
– other		**95,568**	76,621
Acquisition and integration related costs		**3,635**	4,400
Impairment losses recognised on trade receivables	21	**1,388**	1,360
Reversal of impairment losses recognised on trade receivables	21	**(323)**	(164)
Change in fair value of derivative financial instruments	10	**(98)**	(59)
Loss on derivatives in a designed FV hedge accounting relationship	10	**787**	452

Adjusted profitability measures

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

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

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

7. Loss for the year (continued)

Adjusted profitability measures (continued)

	Year ended 31 December	
	2017 $'000	2016 $'000
Operating loss	**(950)**	(25,678)
Add depreciation, amortisation and impairment	**52,112**	43,086
EBITDA	**51,162**	17,408
Adjusting items:		
– corporate reorganisation costs	**855**	413
– acquisition and integration related costs	**3,635**	4,400
– impairment of investment in joint venture	**-**	483
– amortisation of acquired intangibles	**29,572**	25,585
– Group ERP implementation costs	**56**	-
Total adjusting items	**34,118**	30,881
Adjusted operating profit	**33,168**	5,203
Adjusted EBITDA	**55,708**	22,221

8. Other gains and losses

	Year ended 31 December	
	2017 $'000	2016 $'000
Loss on disposal of non-current assets	**(7)**	(37)
Losses on foreign exchange movements	**(5,681)**	(30,217)
Share of results of joint venture	**(21)**	4
Impairment of investment in joint venture	**-**	(483)
Other gains/(losses)	**489**	(322)
	(5,220)	(31,055)

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	
	2017 $'000	2016 $'000
Bank deposit interest	**66**	48
Other finance income	**20**	21
	86	69

10. Finance costs

	Year ended 31 December 2017 $'000	2016 $'000
Interest on loan from parent undertaking	**20,050**	17,258
Interest on bank overdrafts and loans	**22,343**	20,464
Interest on finance leases	**46**	4
Other financial expenses	**278**	31
Total interest expense	**42,717**	37,757
Unwinding of discount effect on liabilities	**(6)**	1
Loss arising on derivatives in a designated fair value hedge accounting relationship	**767**	452
Financial assets and liabilities at fair value through profit and loss – net change in fair value	**(98)**	(59)
	43,380	38,151

The loss on derivatives in a designated fair value hedge accounting relationship relates to the interest charge in the period in relation to interest rate swaps 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 2017 $'000	2016 $'000
Wages and salaries	**80,781**	65,909
Social security costs	**13,166**	9,177
Other pension costs	**2,282**	1,919
Share based payments	**-**	39
	96,229	77,044

The average number of employees during the period was:

	Year ended 31 December 2017 Number	2016 Number
Administration and management	**252**	242
Operations	**1,177**	1,066
Sales and marketing	**439**	344
	1,868	1,652

Under a Management Investment Plan ("MIP") some Senior Managers and Directors within the Group have been granted share options in a related party, Firewall Management MIP S.A. The exercise price of the share options is equal to the market value of the underlying shares on the date of grant. The share options vest to the employees on a time ('cliff') basis at a rate of 25% per annum on a straight line basis and are exercisable on an exit by the ultimate controlling parties. At the various grant dates, and at 31 December 2017, there remains a high degree of uncertainty around a potential exit date and therefore no value has been attributed to the share options. The exit date assumptions will be reassessed at the later of the grant date or the year end.

12. Directors' remuneration

Directors' remuneration for the year was as follows:

	Year ended 31 December	
	2017 $'000	2016 $'000
Remuneration	**2,157**	2,720
Company contributions to defined benefit pension schemes	**40**	27
Benefits in kind	**44**	31
	2,241	2,778

During the year benefits were accruing to five directors under defined contribution pension schemes. The highest paid director received remuneration of $592,000 (2016: $639,000). The value of the company's contributions to a defined contribution pension scheme in relation to the highest paid director was $10,000 (2016: $6,000).

13. Tax

	Year ended 31 December	
	2017 $'000	2016 $'000
Current tax expense:		
Current year	**2,580**	1,549
Adjustments in respect of prior years	**(45)**	(200)
	2,535	1,349
Deferred tax (note 24):		
Origination and reversal of temporary differences	**(7,124)**	(4,686)
Change in tax rate on deferred tax asset/liability brought forward	**(651)**	(786)
Adjustments in respect of prior years	**230**	(721)
Recognition of previously unrecognised deferred tax liability/(asset)	**451**	(1,590)
Total deferred tax credit	**(7,094)**	(7,783)
Total tax credit	**(4,559)**	(6,434)

Corporation tax is calculated at 19.25 per cent (2016: 20 per cent) of the estimated taxable profit for the year in the income statement for the Group, which at 31 December 2017 was resident for tax purposes in the England and Wales (2016: England and Wales). 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	
	2017 $'000	2016 $'000
Loss before tax on continuing operations	**(44,244)**	(63,760)
Tax at the UK corporation tax rate of 19.25 per cent (2016: 20 per cent)	**(8,517)**	(12,752)
Tax effect of expenses that are not deductible in determining taxable profit	**137**	2,080
Tax effect of non-taxable income	**(68)**	(24)
Tax effect of tax losses in current period not utilised and deferred tax not recognised	**5,956**	8,420
Tax effect of other temporary differences where deferred tax not recognised	**126**	4
Utilisation of brought forward losses where losses previously not provided	**(305)**	(31)
Adjustments recognised in the current year in relation to the tax of prior years – current tax	**(45)**	(201)
Adjustments recognised in the current year in relation to the tax of prior years – deferred tax	**230**	(722)
Effect of change in tax rate on deferred tax asset/liability brought forward	**(651)**	(786)
Tax effect of items charged at non-standard rate	**(1,873)**	(832)
Recognition of previously unprovided deferred tax liability/(asset)	**451**	(1,590)
Total tax credit for the year	**(4,559)**	(6,434)

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 2016	125,045	(11,328)	113,717
Acquisitions	96,136	-	96,136
Exchange differences	(17,877)	-	(17,877)
At 1 January 2017	203,304	(11,328)	191,976
Acquisitions (note 31)	10,983	-	10,983
Exchange differences	14,045	-	14,045
At 31 December 2017	**228,332**	**(11,328)**	**217,004**

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

	Opening Goodwill balance $'000	Acquisitions $'000	Exchange differences $'000	Closing Goodwill balance $'000
USA	32,619	7,517	-	40,136
Norway	6,281	-	325	6,606
Australia	20,864	95	1,747	22,706
Germany	10,587	-	1,469	12,056
WL Trading	19,350	-	-	19,350
UK	85,963	-	8,024	93,987
Other	16,312	3,371	2,480	22,163
Total	**191,976**	**10,983**	**14,045**	**217,004**

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 goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined using the higher of "value in use" and "fair value less cost to sell" ("FVLCS") calculations and other evidence of CGU value that is available to the Group.

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

- The Directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the conditions specific to each CGU. This has been set at 12.0 per cent for the Group (2016: 13.1 per cent) with some adjustments made to specific CGU discount rates including those required to reflect specific risks associated with the CGU's estimated cash flows relative to those of the Group, as shown below.
- The growth rates used in the initial five year term are based on the 2018 budget for twelve months and the Directors' assessment of the cash flow forecasts over the medium term. These take into account 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 growth rate assumptions applied to estimated cash flows after this initial five year period are based on long-term inflation rates of the geographic market in which the CGUs operate and therefore do not exceed the average long-term growth rates forecast for the individual markets. These are obtained from external sources.

15. Goodwill (continued)

Where FVLCS is used as the valuation method, the recoverable amount of the CGU is calculated using discounted cash flow projections which include the expected cash flow from the disposal of the asset at the end of the forecast period of 5 years.

- Discount rates and growth rates used in the initial 5 year term are determined in the same way as those used in the value in use calculations.
- The disposal proceeds have been estimated with reference to publicly available information relating to the sale of similar assets.

Impairments have not been recognised in relation to any of the CGUs in this accounting period. Impairments arise where the value in use of the CGU is below the carrying value of its assets, after taking into account the deferred tax liability arising on acquisition.

The individual key assumptions used to determine value in use for the significant CGUs are:

	Pre-tax Discount Rate		Terminal Growth Rates	
	2017 %	2016 %	**2017 %**	2016 %
USA	**14.9**	16.4	**2.6**	2.6
Norway	**13.7**	12.9	**3.0**	2.7
Australia	**16.9**	16.7	**2.9**	2.9
Germany	**13.6**	13.0	**2.3**	2.3
WL Trading	**13.0**	11.7	**2.9**	2.8
UK	**14.2**	13.0	**1.5**	1.9

The discount rates and growth rates of the Other CGUs are determined in the same way as those for which significant goodwill has been allocated. The discount rates applied are in the range of 12.5-16.5% and the growth rates applied are in the range of 1.5-3.0%.

Sensitivity analysis has been performed to determine whether a reasonably possible change in either of the key assumptions above would cause the carrying amount of any CGU to exceed it recoverable amount.

- An increase in the discount rate to 17.5% or a decrease in the terminal growth rate to 2.0% would result in the carrying amount of the Australia CGU being equal to its recoverable amount.
- An increase in the discount rate to 14.5% or a decrease in the terminal growth rate to 1.1% would result in the carrying amount of the UK CGU being equal to its recoverable amount.

The Directors believe that any reasonably possible change in the key assumptions on which the recoverable amounts of the Other CGUs are based would not cause the carrying amounts of those CGUs to exceed the recoverable amount.

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
Cost										
At 1 January 2016	-	1,367	106	-	2,076	126,923	22,280	-	27,668	180,420
Additions	-	882	115	1,742	1,533	-	-	-	-	4,272
Acquisitions	-	-	-	-	-	37,146	6,415	77,178	1,887	122,626
Exchange differences	-	-	-	-	(354)	(7,547)	(1,311)	(10,316)	(821)	(20,349)
At 1 January 2017	-	2,249	221	1,742	3,255	156,522	27,384	66,862	28,734	286,969
Additions	91	761	32	3,168	780	-	-	-	-	4,832
Acquisitions (note 31)	-	-	-	-	525	10,681	834	-	491	12,531
Exchange differences	-	-	(1)	214	570	10,047	826	6,758	506	18,920
At 31 December 2017	91	3,010	252	5,124	5,130	177,250	29,044	73,620	29,731	323,252
Accumulated amortisation										
At 1 January 2016	-	125	12	-	493	10,627	2,192	-	3,294	16,743
Charge for the year	-	349	33	-	680	11,925	2,890	7,322	3,448	26,647
Exchange differences	-	-	-	-	(193)	(1,220)	(95)	(563)	494	(1,577)
At 1 January 2017	-	474	45	-	980	21,332	4,987	6,759	7,236	41,813
Charge for the year	3	512	47	-	838	14,130	3,838	7,517	4,087	30,972
Exchange differences	-	-	-	-	370	1,955	135	817	225	3,502
At 31 December 2017	3	986	92	-	2,188	37,417	8,960	15,093	11,548	76,287
Carrying amount										
At 31 December 2017	**88**	**2,024**	**160**	**5,124**	**2,942**	**139,833**	**20,084**	**58,527**	**18,183**	**246,965**
At 31 December 2016	-	1,775	176	1,742	2,275	135,190	22,397	60,103	21,498	245,156

17. Property, plant and equipment

	Property $'000	Point-of-use dispensers $'000	Plant and machinery $'000	Fixtures, fittings and equipment $'000	Motor vehicles $'000	Total $'000
Cost						
At 1 January 2016	674	38,015	4,670	2,048	714	46,121
Additions	251	15,947	1,604	1,805	172	19,779
Acquisitions	54	25,156	16	332	773	26,331
Disposals	-	(214)	(9)	(28)	(321)	(572)
Exchange differences	(51)	(1,480)	(273)	(24)	143	(1,685)
At 1 January 2017	928	77,424	6,008	4,133	1,481	89,974
Additions	640	23,115	2,333	1,674	872	28,634
Acquisitions (note 31)	8	4,208	2	90	178	4,486
Disposals	-	(633)	(12)	(80)	(138)	(863)
Exchange differences	75	6,157	552	386	157	7,327
At 31 December 2017	1,651	110,271	8,883	6,203	2,550	129,558
Accumulated depreciation						
At 1 January 2016	85	4,321	825	368	171	5,770
Charge for the period	144	13,207	1,236	1,007	362	15,956
Eliminated on disposal	-	(339)	(6)	(28)	(198)	(571)
Exchange differences	29	2,957	145	242	146	3,519
At 1 January 2017	258	20,146	2,200	1,589	481	24,674
Charge for the year	209	17,662	1,342	1,352	575	21,140
Eliminated on disposal	-	(418)	(4)	(63)	(120)	(605)
Exchange differences	8	1,308	222	134	124	1,796
At 31 December 2017	475	38,698	3,760	3,012	1,060	47,005
Carrying amount						
At 31 December 2017	**1,176**	**71,573**	**5,123**	**3,191**	**1,490**	**82,553**
At 31 December 2016	670	57,278	3,808	2,544	1,000	65,300

No freehold property was held by the Group as at 31 December 2017 (2016: $nil). Additionally the Group's obligations under finance leases (see note 25) are secured by the lessors' title to the leased assets, which at 31 December 2017 had a carrying amount of $746,000 (2016: $587,000).

18. Assets held for sale

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

Notes to the consolidated financial statements (continued)

19. Subsidiaries

The Group's subsidiary undertakings as at 31 December 2017 are listed below, including the name, country of incorporation and proportion of ownership interest.

Company name	Registered office	Principal activity	Class of shares	Ownership interest Direct %	Ownership interest Indirect %
Aguapura Aguaviva S.L	(a)	Distribution and service	Ordinary	-	100%
All Water Systems Limited	(b)	Distribution and service	Ordinary	-	100%
Andrew's Water Treatment Limited	(c)	Dormant	Ordinary	-	100%
Angel Springs Holdings Limited	(d)	Holding company	Ordinary	-	100%
Angel Springs Limited	(d)	Distribution and service	Ordinary	-	100%
Aqua Cure Limited	(c)	Distribution	Ordinary	-	100%
Aqua Cure (Scotland) Limited	(e)	Distribution and service	Ordinary	-	100%
Aqua Interiör I Laholm AB	(f)	Distribution and service	Ordinary	-	100%
Aqua Line ApS	(g)	Distribution and service	Ordinary		100%
Escowa AB	(h)	Distribution and service	Ordinary	-	100%
Fillongley Spring Water Limited	(i)	Bottling and distribution	Ordinary	-	100%
Fillongley Ventures Limited	(i)	Holding Company	Ordinary	-	100%
Greenworks Water Limited	(d)	Distribution and service	Ordinary	-	100%
Hydrus BidCo Limited	(j)	Holding company	Ordinary	-	100%
La Planète Bleue SAS	(k)	Distribution and service	Ordinary	-	100%
Palmheath Investments Limited	(l)	Service company	Ordinary	-	100%
Pelican Technical Solutions Limited	(c)	Dormant	Ordinary	-	100%
Qingdao Waterlogic Manufacturing Co. Limited	(m)	Manufacturer	Ordinary	-	100%
Watercompany BV	(n)	Distribution and service	Ordinary	-	100%
Watercompany Home Products BV	(n)	Distribution and service	Ordinary	-	100%
Watercompany International BV	(n)	Holding company	Ordinary	-	100%
Waterfirst Queensland Pty Ltd	(o)	Dormant	Ordinary	-	100%
Waterlogic Americas LLC (formerly Waterlogic East LLC)	(p)	Distribution and service	Preferred/ Ordinary	-	100%
Waterlogic Australia Holdings Pty Limited	(o)	Holding company	Ordinary	-	100%
Waterlogic Australia Pty Limited	(o)	Distribution and service	Ordinary	-	100%
Waterlogic Commercial Products LLC	(p)	Distribution	Ordinary	-	100%
Waterlogic Finance Limited	(q)	Finance	Ordinary	-	100%
Waterlogic France SAS	(k)	Distribution and service	Ordinary	-	100%
Waterlogic GmbH	(r)	Distribution, service and holding company	Ordinary	-	100%
Waterlogic GmbH	(aa)	Distribution and service	Ordinary	-	100%

Notes to the consolidated financial statements (continued)

19. Subsidiaries (continued)

Company name	Registered office	Principal activity	Class of shares	Ownership interest Direct %	Ownership interest Indirect %
Waterlogic Holding AB	(s)	Holding company	Ordinary	-	100%
Waterlogic Holdings GmbH	(t)	Holding company	Ordinary	-	100%
Waterlogic Holdings Limited	(q)	Holding company	Ordinary	100%	-
Waterlogic International Limited	(u)	Holding company	Ordinary	-	100%
Waterlogic Limited	(v)	Holding company	Ordinary	-	100%
Waterlogic Norge AS	(w)	Distribution and service	Ordinary	-	100%
Waterlogic Sverige AB	(s)	Distribution and service	Ordinary	-	100%
Waterlogic UK Limited	(d)	Holding company	Ordinary	-	100%
Waterlogic USA Finance Inc	(x)	Finance	Ordinary	-	100%
Waterlogic USA Holdings Inc	(y)	Holding company	Ordinary	-	100%
Waterlogic USA Inc	(y)	Holding and management service company	Ordinary	-	100%
WLI Trading Limited	(z)	Distribution	Ordinary	-	100%
WLI (UK) Limited	(q)	Service company	Ordinary	-	100%
WUK Limited	(d)	Dormant	Ordinary	-	100%

(a) Calle Medea, 4-1º B, Madrid, 28037, Spain
(b) Unit C1, Merrywell Business Park, Ballymount Road Lower, Dublin 12
(c) Aquacure House, Hall Street, Southport, Merseyside, PR9 0SE United Kingdom
(d) Angel House, Shaw Road, Wolverhampton, WV10 9LE, United Kingdom
(e) Lawgrove Studio, Lawgrove Place, Inveralmond Industrial Estate, Perth, Perthshire, PH1 3XQ United Kingdom
(f) Industrigatan 29, 312 34 Laholm, Sweden
(g) Langebjergvanget 6, 4000 Roskilde, Norway
(h) Bergkällavägen 30, 192 79, Sollentuna, Sweden
(i) Tamworth Road, Fillongley, Coventry, CV7 8DZ, United Kingdom
(j) Deloitte LLP, Hill House, 1 Little New Street, London, EC4A 3TR, United Kingdom
(k) 8 Rue de Commandant d'Estienne d'Orves, Parc d'Activités des Chanteraines, 92390 Villeneuve La Garenne, France
(l) PO Box 362, Road Town, Tortola, VG1110 British Virgin Islands
(m) No.2, Hongxiang Three Road, Jinling Industrial Zone, Chengyang District, Qingdao, China
(n) De Gorzen 21, 4731 TV Oudenbosch, Netherlands
(o) 37 Sundercombe Street, Osborne Park, WA6017 Australia
(p) Capitol Services Inc, 1675 S State St Ste B, Dover, DE 19901 United States of America
(q) 1 Grenfell Road, Maidenhead, Berkshire, SL6 1HN, United Kingdom
(r) Eichenweg 8, 74321, Bietigheim-Bissengen, Germany
(s) Von Utfallsgatan 16 c, 415 05 Goteberg, Sweden
(t) Kleinsachsenheimer Str. 26, 74321 Bietigheim-Bissingen, Germany
(u) 308 East Bay Street, 4th floor, PO Box N7768, Nassau, The Bahamas
(v) 22 Grenville Street, St Helier, Jersey JE4 8PX Channel Islands
(w) Trollåsveien 34-36, 1414, Trollåsen, Oslo, Norway
(x) 11710 Stonegate Circle, Omaha, NE 68164 United States of America
(y) 77 McCullough Drive, Ste. 9, Newcastle, DE 19720 United States of America
(z) Second Floor, Beacon Court, Sandyford, Dublin 18, Ireland
(aa) Seitenbachweg 25, 5023 Province of Salzburg-Gnigl, Austria

All subsidiaries have co-terminus accounting periods at 31 December 2017.

19. Subsidiaries (continued)

Fillongley Ventures Limited (company number 07680170), Fillongley Spring Water Limited (company number 07555626), Waterlogic UK Limited (company number 04832980) and Waterlogic Finance Limited (company number 09899276) 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.

20. Inventories

	2017 $'000	2016 $'000
POU machines and spares	**23,686**	19,438
Consumables	**2,014**	1,577
	25,700	21,015

At 31 December 2017 inventories with a carrying amount of $nil (2016: $nil) have been pledged as security for certain of the Group's bank loans, overdrafts and facilities.

21. Trade and other receivables

	2017 $'000	2016 $'000
Amounts due from customers	**44,506**	42,707
Allowance for doubtful debts	**(3,790)**	(3,383)
	40,716	39,324
Other debtors and prepayments	**16,703**	7,476
	57,419	46,800

Trade receivables are valued at amortised cost. The average credit period offered on sales of goods during 2017 was 22 days (2016: 23 days). This reflects variations in credit terms offered by entities operating in different countries.

Interest or fixed fee penalties for late payment are charged by some Group entities at rates applicable in the corresponding countries. Some jurisdictions operate a legally enforceable late payment penalty where applicable. The interest is typically charged monthly and ranges between 0.1 and 1.3 per cent per month (2016: 0.1 and 2.0 per cent per month) on the outstanding balance. In some countries a fixed fee may be charged and this ranges between $12 and $48 (2016: between $4 and $42).

Allowances for doubtful debts 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 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 doubtful receivables in full. The Group retains title to all equipment supplied under rental agreements.

Trade receivables net of allowance for doubtful debts

	2017 $'000	2016 $'000
Gross value of unimpaired receivables	**40,038**	39,227
Gross value of impaired receivables	**4,468**	3,480
Allowance for doubtful debts	**(3,790)**	(3,383)
	40,716	39,324

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

21. Trade and other receivables (continued)

Ageing of receivables	2017			2016		
	Unimpaired $'000	**Impaired $'000**	**Total $'000**	Unimpaired $'000	Impaired $'000	Total $'000
Not overdue	**17,958**	**4**	**17,962**	16,054	1	16,055
Overdue between 0 to 30 days	**10,729**	**6**	**10,735**	9,740	3	9,743
Overdue between 31 to 60 days	**4,723**	**32**	**4,755**	4,429	2	4,431
Overdue between 61 to 90 days	**2,582**	**22**	**2,604**	3,374	106	3,480
Overdue more than 90 days	**4,046**	**4,404**	**8,450**	5,630	3,368	8,998
	40,038	**4,468**	**44,506**	39,227	3,480	42,707

The average age of unimpaired trade receivables is 32 days (2016: 35 days) and for impaired receivables is 328 days (2016: 283 days).

Movement in the allowance for doubtful debts	**2017 $'000**	2016 $'000
Balance at the beginning of the period	**(3,383)**	(1,337)
On acquisition of direct and indirect subsidiaries	**(144)**	(1,790)
Impairment losses recognised	**(1,388)**	(1,360)
Amounts written off during the year as uncollectible	**1,039**	883
Reversal of impairment losses recognised on trade receivables	**323**	164
Amounts recovered during the year	**(43)**	(38)
Other movements	**(18)**	(41)
Foreign exchange translation gains and losses	**(176)**	136
Balance at the end of the period	**(3,790)**	(3,383)

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.

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.

22. Borrowings

	2017 $'000	2016 $'000
Secured borrowing at amortised cost		
Bank loans (net of unamortised finance fees)	**340,275**	292,628
Accrued interest due to parent undertaking	**54,706**	29,439
Loan from parent undertaking	**216,735**	182,150
Obligations under finance leases (note 25)	**746**	587
	612,462	504,804
Amounts due for settlement within twelve months		
Bank borrowings	**5,379**	2,686
Obligations under finance leases (note 25)	**283**	293
	5,662	2,979
Amounts due for settlement after twelve months		
Bank borrowings (net of unamortised finance fees)	**334,896**	289,942
Accrued interest due to parent undertaking	**54,706**	29,439
Loan from parent undertaking	**216,735**	182,150
Obligations under finance leases	**463**	294
	606,800	501,825
	612,462	504,804

Analysis of borrowings by currency:

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

31 December 2016	US Dollars $'000	Australian Dollars $'000	Norwegian Kroner $'000	Euros $'000	GBP $'000	Total $'000
Bank loans (net of unamortised finance fees)	41,031	37,152	6,196	42,091	166,158	292,628
Accrued interest due to parent undertaking	-	-	-	29,439	-	29,439
Loan from parent undertaking	-	-	-	182,150	-	182,150
Obligations under finance leases (note 25)	584	-	-	-	3	587
	41,615	37,152	6,196	253,680	166,161	504,804

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.

22. Borrowings (continued)

The Group has the following principal bank loans:

		Maturity date	Repayable	Rate	**Carrying value 31 December 2017 $'000**	Carrying value 31 December 2016 $'000
Facility B	(a)(i)	8 January 2022	In full on maturity	LIBOR + 4.5%	**20,881**	18,980
	(a)(ii)	8 January 2022	In full on maturity	BBSW + 4.5%	**32,490**	29,960
	(a)(iii)	8 January 2022	In full on maturity	EURIBOR + 4.5%	**47,938**	42,091
	(a)(iv)	8 January 2022	In full on maturity	NIBOR + 4.5%	**3,474**	3,303
	(d)(ii)	8 January 2022	In full on maturity	BBSW + 4.5%	**7,789**	7,186
	(d)(iii)	8 January 2022	In full on maturity	NIBOR + 4.5%	**3,043**	2,893
Acquisition Facility	(d)(iv)	8 January 2022	In full on maturity	LIBOR + 4.5%	**38,000**	38,000
	(d)(iv)	8 January 2022	In full on maturity	LIBOR + 4.5%	**5,254**	-
Facility C	(d)(i)	12 January 2023	In full on maturity	LIBOR + 5.5%	**174,778**	159,856
Revolving Credit Facility	(b)	31 July 2021	In full on maturity	LIBOR + 4.0%	**3,031**	3,031
	(b)	31 July 2021	In full on maturity	LIBOR + 4.0%	**5,439**	2,468
Incremental Facility	(g)	12 January 2023	In full on maturity	EURIBOR + 4.5%	**3,294**	-
	(g)	12 January 2023	In full on maturity	LIBOR + 4.5%	**8,704**	-
					354,115	307,768
Unamortised finance fees					**(13,840)**	(15,140)
					340,275	292,628

(a) A Pounds Sterling denominated term loan ('TLB') was drawn down on 8 January 2015 and was repayable in full on 8 January 2022. On 23 April 2015 this loan was redenominated into the following term loans:

(i) A Pounds Sterling denominated loan ('TLB1') which is repayable in full on the date of maturity, 8 January 2022. The Group hedges a portion of this loan for interest rate risk using an interest rate swap, exchanging variable rate interest for fixed rate interest. The outstanding balance is adjusted for fair value movements in the hedged risk, being movements in the three months London Interbank Offer Rate ("LIBOR").

(ii) An Australian Dollar denominated loan ('TLB2') which was transferred to Waterlogic Australia Holdings Pty Ltd (as borrower). This loan is repayable in full on the date of maturity, 8 January 2022. The Group has purchased an interest rate cap in order to mitigate interest rate risk in relation to a portion of this loan. See note 35 for more details.

(iii) A Euro denominated term loan ('TLB3') which was transferred to Waterlogic France SAS and Waterlogic Holdings GmbH (as borrowers). This loan is repayable in full on the date of maturity, 8 January 2022. The Group hedges a portion of this loan for interest rate risk using an interest rate swap, exchanging fixed rate interest for variable rate interest. The outstanding balance is adjusted for fair value movements in the hedged risk, being movements in the three months Euro Interbank Offer Rate ("EURIBOR").

(iv) A Norwegian Kroner ('TLB4') denominated term loan which was transferred to Waterlogic Norge AS (as borrower). This loan is repayable in full on the date of maturity, 8 January 2022. The Group hedges a portion of this loan for interest rate risk using an interest rate swap, exchanging variable rate interest for fixed rate interest. The outstanding balance is adjusted for fair value movements in the hedged risk, being movements in the three months Norwegian Interbank Offer Rate ("NIBOR").

Notes to the consolidated financial statements (continued)

22. Borrowings (continued)

Principal bank loans (continued)

(b) A multi-currency revolving credit facility loan was drawn down by the Group on 22 January 2015 and on 30 January 2017. This loan is repayable at the behest of the Group at any point up until 8 January 2021. The intention as at the date of these financial statements is to repay this loan within the next 12 months and as such it has been classified as a current liability. At 31 December 2017 the revolving credit facility was being utilised in Pounds Sterling and United States Dollars.

(c) A multi-currency incremental facility loan was drawn down by the Group on 2 September 2015 and 10 November 2015 and is repayable on 8 January 2021. At 31 December 2017 the incremental facility was no longer in use and was converted to term loans as disclosed under (d)(ii) and (d)(iii) below.

(d) On 23 December 2015 the Company entered into an Amendment and Restatement of the existing facilities, the terms of which became effective on 12 January 2016. At this date the following occurred in respect of the facilities:

(i) A new term loan ('TLC') was drawn down by the Group and was repayable in full on 12 January 2023;

(ii) Amounts drawn under the original multi-currency acquisition facility were moved under the TLB as TLB5 and TLB6; TLB5 was subsequently repaid. TLB6 is now repayable in full on 8 January 2022;

(iii) Amounts drawn under the multi-currency incremental facility were moved under the TLB as TLB7 and TLB8; TLB7 was subsequently repaid. TLB8 is now repayable in full on 8 February 2022; and

(iv) A new multi-currency acquisition facility was extended to the company and was partially drawn down by the Group on 29 September 2016 and on 3 January 2017. This loan is repayable in full on 8 January 2022. At 31 December 2017 the facility was being utilised in United States Dollars and Pounds Sterling.

(e) On 14 March 2016 the Company entered into an Amendment and Restatement of the existing facilities. This was to facilitate the syndication of the TLC and did not impact the amounts borrowed under the facilities.

(f) On 15 September 2016 the Company entered into an amendment and restatement agreement of the existing facilities to amend a specific definition and did not impact the amounts borrowed under the facilities.

(g) On 24 May 2017 an Incremental Facility was extended to the Company and was partially drawn down by the Group on 2 November 2017 and 10 November 2017. At 31 December 2017 the facility was being utilised in Pounds Sterling and Euro.

At 31 December 2017 the bank loans were guaranteed by various entities within the Group, including the Company, Waterlogic Group Holdings Limited. The bank loans at 31 December 2017 were subject to a single covenant relating to Group leveraging.

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

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

	2017 **%**	2016 %
Bank loans	**5.56**	5.52
Related party loans	**10.14**	10.10

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

23. Derivative financial instruments

	Current		Non-current	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Derivative financial liabilities (cash flow hedges)				
– interest rate swaps	**79**	-	**221**	971

No foreign currency forward contracts were entered into in the period.

In May 2015 the Group entered into interest rate swap agreements in relation to the TLB loans taken out in the UK, Germany, France and Norway in order to acquire the Waterlogic Group in January 2015. Additionally, in April 2016 the Group entered into an interest rate swap agreement in relation to the TLC loan. The contracts have a combined aggregate notional principal amount of $166,236,000 (2016: $150,960,000) and an average fixed rate interest payable of 0.76% (2016: 0.76%), net of margin. The purpose of the hedges was to convert a proportion of the variable interest borrowing into fixed interest borrowing. The swaps have been designated as cash flow hedges in accordance with IAS 39.

Also in May 2015, the Group entered into an interest rate cap arrangement in relation to the TLB loan taken out in Australia to acquire the Waterlogic Group. The interest rate cap is set at an interest rate of 2.8%, net of margin, and has a notional principal amount of $21,649,000. A premium of $131,000 was paid for the cap in June 2015. The cap has been concluded as having no value as at 31 December 2017 (2016: $nil) as the forward curve for the three month BBSW rate does not exceed the cap strike at any point in time as at 31 December 2017.

The cash flow hedges have been designated as effective since the date of inception except for an amount of $98,000 (2016: $59,000) relating to ineffectiveness, which has been recognised in the income statement.

Further details of derivative financial instruments are provided in note 35.

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 2016	(1,123)	(32,572)	3,107	1,611	(28,977)
Arising on acquisitions	51	(13,984)	-	-	(13,933)
Credit to profit and loss	1,209	5,476	205	893	7,783
Credit to other comprehensive income	-	-	133	-	133
Foreign exchange gains/(losses)	39	1,708	(114)	(59)	1,574
At 1 January 2017	176	(39,372)	3,331	2,445	(33,420)
Arising on acquisitions	7	(1,439)	-	-	(1,432)
Credit/(debit) to profit and loss	329	6,844	(523)	444	7,094
Debit to other comprehensive income	-	-	(142)	-	(142)
Foreign exchange gains/(losses)	16	(3,484)	289	209	(2,970)
At 31 December 2017	**528**	**(37,451)**	**2,955**	**3,098**	**(30,870)**

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

	2017 $'000	2016 $'000
Analysed as:		
Deferred tax liabilities	**(30,870)**	(33,420)
Deferred tax liability – net	**(30,870)**	(33,420)

In addition to the above, at 31 December 2017 the Group had unrecognised deferred tax assets arising in relation to unused tax losses of $18,746,000 (2016: $13,881,000) and other timing differences of $216,000 (2016: $3,236,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these losses as it is not considered probable that there will be future taxable profits available in the relevant jurisdictions in the near future.

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

25. Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Minimum lease payments				
Within one year	**316**	311	**283**	293
In the second to fifth years inclusive	**504**	336	**463**	294
	820	647	**746**	587
Less: future finance charges	**(74)**	(60)		
Present value of lease obligations	**746**	587		

	2017 $'000	2016 $'000
Analysed as:		
Amounts due for settlement within twelve months (shown under current liabilities)	**283**	293
Amounts due for settlement after twelve months	**463**	294
	746	587

It is the Group's policy to lease certain of its equipment under finance leases. The average remaining lease term at 31 December 2017 was 2.2 years (2016: 1.7 years). For the year ended 31 December 2017, the average effective interest rate was 7.5 per cent (2016: 9.1 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.

The fair value of the Group's lease obligations is approximately equal to their carrying amount.

The Group's obligations under finance leases are secured by the lessors' rights over the leased assets disclosed in note 17.

26. Trade and other payables

	2017 $'000	2016 $'000
Trade creditors	**15,624**	14,154
Accruals	**9,116**	7,813
Other creditors	**16,130**	12,790
	40,870	34,757

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 110 days (2016: 105 days). For most suppliers no interest is charged on the trade payables for the first 60 days from the date of the invoice. Thereafter, interest is charged on the outstanding balances at various interest rates. The Group policy is to ensure that payables are paid within the pre-agreed credit terms and to avoid incurring penalties and/or interest on late payments. Other creditors include sales taxes, property taxes, social security, employment taxes due to local tax authorities and cash rebates due to customers.

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

27. Provisions

	Warranty provision $'000	Statutory retirement scheme $'000	Dilapidation provision $'000	Environmental provision $'000	PSP tax provision $'000	Relocation and restructuring provision $'000	Other $'000	Total $'000
At 1 January 2016	466	91	414	173	430	100	-	1,674
Change in provision	141	24	229	239	(430)	(100)	-	103
Exchange difference	(14)	(5)	(85)	(49)	-	-	-	(153)
At 31 December 2016	593	110	558	363	-	-	-	1,624
Change in provision	(144)	87	(102)	(4)	-	-	30	(133)
Exchange difference	22	17	53	34	-	-	-	126
At 31 December 2017	**471**	**214**	**509**	**393**	**-**	**-**	**30**	**1,617**
Current	471	-	-	-	-	-	30	501
Non-current	-	214	509	393	-	-	-	1,116
At 31 December 2017	**471**	**214**	**509**	**393**	**-**	**-**	**30**	**1,617**

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

Employees of the Group's subsidiary in France are entitled to a state-managed retirement benefit scheme operated by the government. The subsidiary is required to provide a specified percentage of payroll costs which becomes payable where an employee reaches state retirement age if, and only if, the employee is in the employ of Waterlogic France at the qualifying date. The only obligation on the subsidiary, with respect to the retirement benefit scheme, is to make the specified contributions at that time. For this reason a provision is calculated at each year end based on the number of employed staff, their age and years of service and a probability that they will be employed by the subsidiary at the qualifying date. The qualifying payments are payable to the state by the subsidiary at the level specified under the terms of the scheme. The terms include an escalating entitlement dependent on age and years of service completed.

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

The environmental provision relates to the Group's obligation under the Waste Electrical and Electronic Equipment ("WEEE") directive to provide for the decommissioning costs of disposal of the Group's water coolers in issue in EU countries at the balance sheet date.

28. Issued share capital

	2017 $'000	2016 $'000
Issued and fully paid Ordinary shares of £1 each		
At start of year	**51,590**	32,815
Shares issued in the year	**6,132**	18,775
At end of year	**57,722**	51,590

Issue of new shares

During 2016, 4,773,716 Ordinary shares, 1,898,925 Ordinary shares and 7,037,665 Ordinary shares were issued at par on 13 January, 1 February and 23 September, and on 22 December 2017 a further 4,584,571 Ordinary shares were issued at par. No share premium arose in relation to any of the foregoing transactions.

	2017 Number	2016 Number
Ordinary Shares in issue at par value	**39,814,234**	35,229,663

	Number
Share capital in issue at 1 January 2016	21,519,357
Shares issued in the year	13,710,306
Share capital in issue at 1 January 2017	35,229,663
Shares issued in the year	4,584,571
Share capital in issue at 31 December 2017	**39,814,234**

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

29. Hedging and translation reserves

	Other capital reserves	Hedging reserve	Translation reserve
	$'000	$'000	$'000
Balance at 1 January 2016	152	(288)	(3,789)
Exchange differences on translating the net assets of foreign operations	-	-	35,027
Loss recognised on cash flow hedges – interest rate swaps (net of tax)	-	(523)	-
Balance at 1 January 2017	152	(811)	31,238
Exchange differences on translating the net assets of foreign operations	-	-	(16,767)
Gain recognised on cash flow hedges – interest rate swaps (net of tax)	-	530	-
Balance at 31 December 2017	**152**	**(281)**	**14,471**

Other capital reserves

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

Hedging reserve

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

Translation reserve

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

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

30. Retained earnings

	$'000
Balance at 1 January 2016	(35,434)
Net loss for the year	(57,326)
Balance at 1 January 2017	(92,760)
Net loss for the year	(39,685)
Balance at 31 December 2017	**(132,445)**

31. Acquisitions

Aguapura Aguaviva S.L.

On 4 January 2017 the Group acquired 100% of the shares of Aguapura Aguaviva, S.L. ("Aguaviva") for total consideration of $5.3 million. Aguaviva is incorporated in Spain. Aguaviva is a market leader in the Spanish POU drinking water market with direct sales all over Spain, focusing on the Madrid and Barcelona regions. The final purchase price allocation is set out below.

	Final fair value $'000
Net assets acquired:	
– property, plant and equipment	1,727
– software	97
– trade receivables	491
– other monetary assets	245
– monetary liabilities assumed	(1,075)
– net debt assumed	(572)
– net deferred tax liability	(651)
– intangible assets recognised	2,627
Total net assets acquired	2,889
Goodwill recognised	2,452
	5,341
Satisfied by:	
– cash consideration	5,341
	5,341
Net cash flow on acquisition:	
Cash consideration	5,341
Less: cash acquired	(41)
	5,300

Goodwill is an intangible asset that represents that portion of the entire business value that cannot be attributed to other income producing business assets, tangible or intangible. One of the drivers of Goodwill is the synergies available to the business combination post acquisition. None of the Goodwill recognised of $2,452,000 is tax deductible. Of the trade receivable purchased of $491,000, the gross contractual amount receivable is $522,000.

Intangible assets of $2,627,000 have been recognised comprising trade names, ongoing customer relationships and a non-compete agreement that existed at the date of acquisition and are being amortised over periods between two and fifteen years. A deferred tax liability of $651,000 has been recognised in respect of the intangible assets with a corresponding offset to goodwill. The goodwill and amortisation charges of the intangible assets will not be deductible for tax purposes.

Acquisition-related costs of $182,000 have been expensed and are included in administrative expenses as incurred. Aguaviva contributed $3,156,000 of revenue and $296,000 of adjusted EBITDA to the Group's results for the period between the date of acquisition and the balance sheet date.

31. Acquisitions (continued)

La Planète Bleue SAS

On 10 November 2017 the Group acquired 100% of the shares of La Planète Bleue SAS ("Planète Bleue") for total consideration of $3.6 million. Planète Bleue is a leading provider of POU water coolers to the French market. The provisional purchase price allocation is set out below.

	Provisional fair value $'000
Net assets acquired:	
– property, plant and equipment	1,070
– intangible assets	428
– trade receivables	744
– other monetary assets	1,141
– monetary liabilities assumed	(1,573)
– deferred tax liability	(546)
– intangible assets recognised on acquisition	1,640
Total net assets acquired	2,904
Goodwill recognised	718
	3,622
Satisfied by:	
– cash consideration	3,388
– deferred consideration	234
	3,622
Net cash flow on acquisition:	
Cash consideration	3,388
Less: cash acquired	(838)
	2,550

Goodwill is an intangible asset that represents that portion of the entire business value that cannot be attributed to other income producing business assets, tangible or intangible. One of the drivers of goodwill is the synergies available to the business combination post acquisition. None of the goodwill recognised of $718,000 is tax deductible. Of the trade receivable purchased of $744,000, the gross contractual amount receivable is $866,000.

Intangible assets of $1,640,000 have been recognised comprising brand value and ongoing customer relationships that existed at the date of acquisition and are being amortised over five and fifteen years respectively. A deferred tax liability has been recognised in respect of the intangible assets. The goodwill and amortisation charges of the intangible assets are not expected to be deductible for tax purposes.

Acquisition-related costs of $191,000 have been expensed and are included in administrative expenses as incurred. Planète Bleue contributed $567,000 of revenue and $100,000 of adjusted EBITDA to the Group's results for the period between the date of acquisition and the balance sheet date. Had the acquisition of Planète Bleue occurred on 1 January 2017, Group revenue would have been approximately $3,152,000 higher and Group operating profit would have been approximately $342,000 higher.

31. Acquisitions (continued)

Pure Water Technologies Inc.

On 29 December 2017 the Group acquired the trade and certain assets of Pure Water Technologies Inc. ("PWT") for total consideration of $13.9 million. PWT distributes, leases, installs and services drinking systems in Southern California, USA. The provisional purchase price allocation is set out below.

	Provisional fair value $'000
Net assets acquired:	
– property, plant and equipment	**1,490**
– trade receivables	**267**
– other monetary assets	**124**
– monetary liabilities assumed	**(620)**
– intangible assets recognised	**5,905**
Total net assets acquired	**7,166**
Goodwill recognised	**6,697**
	13,863
Satisfied by:	
– cash consideration	**13,863**
	13,863
Net cash flow on acquisition:	
Cash consideration	**13,863**
	13,863

Goodwill is an intangible asset that represents that portion of the entire business value that cannot be attributed to other income producing business assets, tangible or intangible. One of the drivers of Goodwill is the synergies available to the business combination post acquisition. The Goodwill recognised of $6,697,000 will be deductible for tax purposes in the US. Of the trade receivable purchased of $267,000, the gross contractual amount receivable is $272,000.

Intangible assets of $5,905,000 have been recognised comprising non-compete agreements and ongoing customer relationships that existed at the date of acquisition and are being amortised over periods between two and fifteen years. No deferred tax liability has been recognised in respect of the intangible assets. The goodwill and amortisation charges of the intangible assets will be deductible for tax purposes.

Acquisition-related costs of $138,000 have been expensed and are included in administrative expenses as incurred. Had the acquisition of PWT occurred on 1 January 2017, Group revenue would have been approximately $3,874,000 higher and Group operating profit would have been approximately $1,090,000 higher.

Other acquisitions in the year

On 3 January 2017 the Group acquired 100% of the issued share capital of Aqua Interiör I Laholm AB ("Aqua Interiör") for total consideration of $1.1 million. Aqua Interiör had identifiable net assets (including intangible assets) of $0.9 million resulting in recognition of $0.2 million of goodwill, at the date of acquisition.

On 5 July 2017 the Group acquired the trade and certain assets of Mayim Water Inc ("Mayim") for total consideration of $1.6 million. Mayim had identifiable net assets (including intangible assets) of $0.8 million resulting in recognition of $0.8 million of goodwill, at the date of acquisition.

On 31 July 2017 the Group acquired the trade and certain assets of Filterworks for total consideration of $0.3 million. Filterworks had identifiable net assets (including intangible assets) of $0.2 million resulting in recognition of $0.1 million of goodwill, at the date of acquisition.

Notes to the consolidated financial statements (continued)

32. Notes to the cash flow statement

	Year ended 31 December 2017 $'000	2016 $'000
Movements in working capital		
Increase in trade and other receivables	**(6,419)**	(6,430)
Increase in inventories	**(1,868)**	(1,744)
Increase/(decrease) in trade and other payables	**2,029**	(2,341)
(Decrease)/increase in deferred revenue	**(3,076)**	1,226
Net effect of working capital movements	**(9,334)**	(9,289)
Net cash and cash equivalents		
Cash and cash equivalents	**21,864**	18,464
Bank overdrafts	**-**	-
Net cash and cash equivalents	**21,864**	18,464

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

Reconciliation of movements in net debt

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

32. Notes to the cash flow statement (continued)

Reconciliation of movements in net debt (continued)

	Bank Borrowings (net of prepaid fees) $'000	Loans from parent undertaking $'000	Accrued interest due to parent undertaking $'000	Finance leases $'000	Total borrowings $'000	Cash and cash equivalents $'000	Net debt $'000
Net debt at 1 January 2016:							
Due within twelve months	(4,885)	-	-	(3)	(4,888)	-	(4,888)
Due after more than twelve months	(160,358)	(134,341)	(13,848)	(3)	(308,550)	-	(308,550)
Cash and cash equivalents	-	-	-	-	-	16,955	16,955
At 1 January 2016	(165,243)	(134,341)	(13,848)	(6)	(313,438)	16,955	(296,483)
Cash flows	(154,156)	(56,527)	-	54	(210,629)	1,509	(209,120)
Non-cash flows	(3,596)	-	(23,118)	(636)	(27,350)	-	(27,350)
Foreign exchange gain	30,367	8,718	7,527	1	46,613	-	46,613
Net debt at 31 December 2016:							
Due within twelve months	(2,686)	-	-	(293)	(2,979)	-	(2,979)
Due after more than twelve months	(289,942)	(182,150)	(29,439)	(294)	(501,825)	-	(501,825)
Cash and cash equivalents	-	-	-	-	-	18,464	18,464
At 31 December 2016	(292,628)	(182,150)	(29,439)	(587)	(504,804)	18,464	(486,340)

33. Operating lease arrangements

The Group as lessee

	Year ended 31 December 2017 $'000	2016 $'000
Minimum lease payments under operating leases recognised as an expense in the year	**8,851**	6,795

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

	2017 $'000	2016 $'000
Within one year	**7,923**	6,064
In the second to fifth years inclusive	**15,599**	10,761
After five years	**2,973**	671
	26,495	17,496

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

33. Operating lease arrangements (continued)

The Group as lessor

	Year ended 31 December	
	2017 $'000	2016 $'000
Rental income under operating leases recognised in the year	**124,981**	96,083

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

	2017 $'000	2016 $'000
Within one year	**93,608**	79,247
In the second to fifth years inclusive	**65,862**	61,462
After five years	**176**	39
	159,646	140,748

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.

34. 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 $1,705,000 (2016: $1,411,000) and the balance outstanding as at 31 December 2017 was $14,000 (2016: $47,000).

35. Financial instruments

Capital management objectives

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

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

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

Categories of financial instruments

	2017 $'000	2016 $'000
Financial assets		
Cash and cash equivalents	**21,864**	18,464
Loans and receivables	**53,718**	43,067
	75,582	61,531

35. Financial instruments (continued)

	2017 $'000	2016 $'000
Financial liabilities		
Fair value through profit and loss ("FVTPL"):		
– derivative financial instruments in designated hedge accounting relationships	**300**	971
– financial liabilities held at amortised cost	**658,483**	543,295
	658,783	544,266

Financial assets designated at FVTPL

On 6 May 2015, the Group entered into interest rate cap arrangements in relation to variable rate loans with a notional principal value of $20,215,000. A premium of $131,000 was paid for the cap arrangements in June 2015. The cap has been valued at no intrinsic value as at the year-end as the forward curve for the three month BBSW rate does not exceed the cap strike at any point in time over the life of the cap as at 31 December 2017.

Financial liabilities designated at FVTPL

The interest rate swaps entered into in 2015 have been determined as effective cash flow hedges from inception and as such are not valued at FVTPL.

Interest rate swap contracts

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

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

Cash flow hedges

	Average contract fixed interest rate		Notional principal value		Fair value	
Outstanding receive floating pay fixed contracts	2017 %	2016 %	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Two to five years	**0.76%**	0.76%	**166,236**	150,960	**(300)**	(971)

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

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

35. Financial instruments (continued)

Financial risk management objectives

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

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

Further information about the nature of these risks and the mitigations in place are set out in the principal risks and uncertainties set out in the Strategic Report out on pages 1 to 6.

Foreign currency

The carrying amounts of the Group's currency denominated monetary assets and monetary liabilities at 31 December 2017 and 2016 were as follows:

	Liabilities		Assets	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
US Dollar	**(41,669)**	(46,860)	**7,590**	14,262
Euro	**(332,608)**	(259,499)	**13,173**	6,872
Swedish Krona	**(2,233)**	(1,966)	**2,883**	3,246
Norwegian Kroner	**(10,106)**	(9,582)	**11,980**	3,861
GB Pound Sterling	**(223,487)**	(183,031)	**34,037**	27,054
Australian Dollar	**(43,250)**	(38,917)	**3,792**	4,543
Other currencies	**(5,430)**	(4,411)	**2,127**	1,693
	(658,783)	(544,266)	**75,582**	61,531

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	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Profit/(loss)				
Australian Dollar impact(i)	**892**	833	**3,111**	2,604
Norwegian Kroner impact(ii)	**432**	501	**(620)**	(165)
Euro impact(iii)	**18,981**	21,874	**4,382**	3,385
Pounds sterling impact(iv)	**12,185**	10,351	**(8,192)**	(9,045)

(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 and borrowings at the balance sheet date.

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

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

35. Financial instruments (continued)

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

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

Interest rates

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

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

Interest rate sensitivity analysis

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

If interest rates had been one per cent higher and all other variables were held constant, the Group's profit for the year ended 31 December 2017 would decrease by $1,888,000 (2016: decrease by $1,580,000). 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 2017 would increase by $926,000 (2016: increase by $995,000). 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 $3,678,000 (2016: $3,356,000). If interest rates had been one per cent lower and all other variables were held constant, other comprehensive income would increase by $3,770,000 (2016: $3,441,000).

Credit risk

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

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

The Group defines counterparties as having similar characteristics if they are related entities. With the exception of cash deposits held by the Group's principal banker, concentration of credit risk relating to any single counterparty did not exceed 10 per cent of gross monetary assets (2016: 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.

35. Financial instruments (continued)

Liquidity and interest risk

The Group maintains committed credit facilities to ensure that it has sufficient liquidity to maintain its ongoing operations. The Group's banking facilities are provided by a syndicate of banks. During the year the Group drew down total loans of $19.3 million (2016: $127.4 million), and as at 31 December 2017 had $4.3 million (2016: $6.2 million) of unutilised multi-currency revolving credit facility, $16.9 million (2016: $nil) of unutilised incremental facility, and $nil (2016: $4.8 million) of unutilised acquisition facility available. See note 22 for more detail.

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

Non-derivative financial liabilities	Weighted average effective interest rate %	Less than three months $'000	Three months to one year $'000	One to five years $'000	More than five years $'000	Total $'000
31 December 2017						
Trade and other payables	**0.0%**	**40,870**	-	-	-	**40,870**
Finance lease liability	**7.5%**	**76**	**241**	**503**	-	**820**
Variable rate instruments – bank borrowings	**5.6%**	**4,884**	**15,200**	**430,745**	-	**450,829**
Fixed rate instruments – parent company loans	**10.1%**	-	-	**348,910**	-	**348,910**
		45,830	**15,441**	**780,158**	-	**841,429**
31 December 2016						
Trade and other payables	0.0%	34,757	-	-	-	34,757
Finance lease liability	9.1%	88	223	336	-	647
Variable rate instruments – bank borrowings	5.7%	4,246	12,942	222,634	170,969	410,791
Fixed rate instruments – parent company loans	10.1%	-	-	-	195,238	195,238
		39,091	13,165	222,970	366,207	641,433

The following table details the Group's expected maturity for its non-derivative financial assets as recognised at 31 December 2017 and 2016. 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
31 December 2017							
Non-interest-bearing	**0.00%**	**70,253**	-	-	-	-	**70,253**
Variable interest rate instruments	**0.11%**	**5,329**	-	-	-	-	**5,329**
		75,582	-	-	-	-	**75,582**
31 December 2016							
Non-interest-bearing	0.00%	56,302	-	-	-	-	56,302
Variable interest rate instruments	0.11%	5,229	-	-	-	-	5,229
		61,531	-	-	-	-	61,531

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.

35. Financial instruments (continued)

The following table details the Group's liquidity analysis for its derivative financial instruments based on contractual maturities. The table has been drawn up based on the undiscounted net cash inflows and outflows on derivative instruments that settle on a net basis. There are no financial instruments held by the Group that require settlement on a gross basis as at 31 December 2017.

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

	Less than one month $'000	One to three months $'000	Three months to one year $'000	One to five years $'000	Total $'000	Carrying value $'000
31 December 2017						
Net settled:						
– interest rate swaps	-	**(159)**	**(134)**	**(6)**	**(299)**	**(300)**
31 December 2016						
Net settled:						
– interest rate swaps	-	(191)	(528)	(372)	(1,091)	(971)

Financing facilities

	2017 $'000	2016 $'000
Loan facilities		
Committed loan facilities:		
– amount used – loan from parent undertaking (note 22)	**216,735**	182,150
– amount used – bank loans (note 22)	**340,275**	292,628
– amount unused	**21,228**	11,030
Total loan facilities	**578,238**	485,808

Fair value of financial instruments carried at amortised cost

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

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

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

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

Fair value measurements

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

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

35. Financial instruments (continued)

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular the valuation techniques and inputs used).

Financial assets/ financial liabilities	Fair value at year end 31 December 2017	31 December 2016	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Interest rate caps	**Assets: $Nil**	Assets: $Nil	Level 2	Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at rate that reflects the credit risk of the various counterparties.	N/A	N/A
Interest rate swaps	**Liabilities: $300,000**	Liabilities: $971,000	Level 2	Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at rate that reflects the credit risk of the various counterparties.	N/A	N/A

Significant assumptions used in determining fair value of financial assets and liabilities

Interest rate swaps

The fair value of the liability component of interest rate swap contracts was determined by the respective financial institution utilising option valuation techniques which themselves are based both on observable market data and assumptions on future interest rate levels.

36. Events after the balance sheet date

Loan refinancing:

At the beginning of March 2018, the Group refinanced its existing Senior Facilities Agreement ("SFA") to reduce the effective interest rates paid by the group and to give additional capacity for accretive M&A activity. A new Term Loan B ("TLB") amounting to $444.3 million was made available and drawn immediately, with the funds used to settle all existing facilities for an amount of $367.1 million, with the balance being available to, (i) Fund the acquisition of Billi Australia Pty Limited and GLGB Limited and (ii) leave cash on balance sheet. Additionally, a multi-purpose Revolving Credit Facility ("RCF") was also made available for an amount of $45.0 million, the RCF remains undrawn as at the date of the signing of the accounts.

Given the significant nature of the re-finance, the capitalised professional and arrangement fees relating to the repaid facilities resulted were released, and this resulted in the recognition of a charge to the Income Statement of $14.3 million being taken in 2018.

Acquisitions:

On 1 January 2018 Waterlogic Holdings GmbH acquired 100% of the share capital of ABO Filtertechnik Nord GmbH ("ABO Nord") for $4.0 million, a company incorporated in Germany. ABO Nord is a leading distributor of point-of-use and bottled water coolers in Northern Germany. A reasonable estimate of the financial effects of this transaction cannot be made at the date of signing of these financial statements.

On 13 March 2018 the Group signed definitive agreements to acquire 100% of the share capital of Billi Australia Pty Limited and GLGB Limited, which are companies incorporated in Australia and the UK respectively. The date of completion is expected to be 27 April 2018.

37. 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.

37. Related party transactions (continued)

Transactions with joint ventures

During the year the Group made sales of $0.1 million (2016: $0.2 million) to its joint venture, AquaIgnis Technologies Pvt. Limited. At 31 December 2017 the amount owed by the joint venture to the Group was $nil (31 December 2016: $0.1 million).

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	
	2017 $'000	2016 $'000
Short-term employee benefits	**3,212**	3,582
Post-employment benefits	**54**	26
	3,266	3,608

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

At 31 December 2017 the value of the outstanding loans held by the scheme participants was $3.7 million (31 December 2016: $3.1 million).

38. Ultimate controlling party

The immediate parent company of the Group is Firewall Holdings S.à.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.

Company financial statements

Company balance sheet

as at 31 December 2017

	Note	2017 £'000	2016 £'000
ASSETS			
Non-current assets			
Investments in subsidiary undertakings	C4	**22,327**	22,327
Loans and other receivables	C5	**168,006**	154,548
Total non-current assets		**190,333**	176,875
Current assets			
Trade and other receivables	C6	**39,844**	23,671
Cash and cash equivalents		**2**	-
Total current assets		**39,846**	23,671
Total assets		**230,179**	200,546
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	C9	**39,814**	35,230
Retained earnings		**(11,714)**	(6,567)
Total equity		**28,100**	28,663
Non-current liabilities			
Borrowings	C7	**201,171**	171,439
Total non-current liabilities		**201,171**	171,439
Current liabilities			
Trade and other payables	C8	**908**	444
Total current liabilities		**908**	444
Total liabilities		**202,079**	171,883
Total equity and liabilities		**230,179**	200,546

The company Financial Statements were approved by the Board of Directors and authorised for issue on 26 April 2018 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 2017

	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2016	21,519	3,084	24,603
Loss for the year	-	(9,651)	(9,651)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(9,651)	(9,651)
Shares issued in the year	13,711	-	13,711
Balance at 1 January 2017	35,230	(6,567)	28,663
Loss for the year	-	(5,147)	(5,147)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(5,147)	(5,147)
Shares issued in the year	4,584	-	4,584
Balance at 31 December 2017	**39,814**	**(11,714)**	**28,100**

Notes to the company financial statements
for the year ended 31 December 2017

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 8 of the consolidated Financial Statements.

C2. Accounting Policies

Basis of accounting

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

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

In accordance with FRS 102, the Company has taken advantage of the exemptions from the following disclosure requirements:

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

These financial statements present information about the Company as an individual entity and not about its group. The above exemptions are taken on the basis that the Company is a qualifying entity included within the consolidated financial statements of its group and that the shareholders have not objected to these exemptions being applied. The financial statements of the Company are consolidated in the financial statements of the Group on pages 1 to 65.

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 £5,147,000 (2016: loss £9,651,000) and other comprehensive income for the period was £nil (2016: £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 6.

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.

C2. Accounting Policies (continued)

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.

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 in 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.

C2. Accounting Policies (continued)

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.

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 profit or loss 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 profit or loss 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 profit or loss, and is included in the 'other gains and losses' line in this item.

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

C3. Critical accounting estimates and judgements

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

C3. Critical accounting estimates and judgements (continued)

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

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

Critical judgements

Indicators of impairment

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

C4. Investments in subsidiary undertakings

	£'000
Balance at 1 January 2016	20,428
Investments in the year	1,899
Balance at 1 January 2017	22,327
Investments in the year	-
Balance at 31 December 2017	**22,327**

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 2017 are set out below. The registered office addresses for these companies are provided in note 19 to the Group financial statements.

Company name	Country of registration or incorporation	Principal activity	Class of shares	Ownership interest Direct %	Indirect %
Aguapura Aguaviva S.L	Spain	Distribution and service	Ordinary	-	100%
All Water Systems Limited	Ireland	Distribution and service company	Ordinary	-	100%
Andrew's Water Treatment Limited	England and Wales	Dormant	Ordinary	-	100%
Angel Springs Holdings Limited	England and Wales	Holding company	Ordinary	-	100%
Angel Springs Limited	England and Wales	Distribution and service company	Ordinary	-	100%
Aqua Cure Limited	England and Wales	Distribution	Ordinary	-	100%
Aqua Cure (Scotland) Limited	Scotland	Distribution and service	Ordinary	-	100%
Aqua Interiör I Laholm AB	Sweden	Distribution and service	Ordinary	-	100%
Aqua Line ApS	Norway	Distribution and service	Ordinary		100%
Escowa AB	Sweden	Distribution and service	Ordinary	-	100%
Fillongley Spring Water Limited	England and Wales	Bottling and distribution	Ordinary	-	100%
Fillongley Ventures Limited	England and Wales	Holding company	Ordinary	-	100%
Greenworks Water Limited	England and Wales	Distribution and service	Ordinary	-	100%
Hydrus BidCo Limited	England and Wales	Holding company	Ordinary	-	100%
La Planète Bleue SAS	France	Distribution and service	Ordinary	-	100%
Palmheath Investments Limited	British Virgin Islands	Dormant	Ordinary	-	100%

C4 Investments in subsidiary undertakings (continued)

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

Fillongley Ventures Limited (company number 07680170), Fillongley Spring Water Limited (company number 07555626), Waterlogic UK Limited (company number 04832980) and Waterlogic Finance Limited (company number 09899276), all incorporated in England and Wales, are exempt from the requirements under the Companies Act 2006 relating to the audit of accounts under section 479A of the Companies Act 2006. 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.

C5. Non-current assets: loans and other receivables

	2017 £'000	2016 £'000
Loans to subsidiary undertakings	**168,006**	154,548

C6. Trade and other receivables

	2017 £'000	2016 £'000
Accrued interest due from Group companies	**39,604**	23,335
Other amounts receivable from Group companies	**240**	336
Amounts owed by Group companies	**39,844**	23,671

Accrued interest from Group companies is payable on demand. Interest is not compounded on accrued interest.

C7. Borrowings

	2017 £'000	2016 £'000
Secured borrowing at amortised cost		
Accrued interest due to parent undertaking	**40,544**	23,855
Loan from parent undertaking	**160,627**	147,584
	201,171	171,439
Amounts due for settlement within twelve months		
Loan from parent undertaking	**-**	-
	-	-
Amounts due for settlement after twelve months		
Accrued interest due to parent undertaking	**40,544**	23,855
Loan from parent undertaking	**160,627**	147,584
	201,171	171,439
	201,171	171,439

Analysis of borrowings by currency:

31 December 2017	Euro £'000	Total £'000
Accrued interest due to parent undertaking	**40,544**	**40,544**
Loan from parent undertaking	**160,627**	**160,627**
	201,171	**201,171**

31 December 2016	Euro £'000	Total £'000
Accrued interest due to parent undertaking	23,855	23,855
Loan from parent undertaking	147,584	147,584
	171,439	171,439

C7. Borrowings (continued)

The weighted average effective interest rates paid during the year:

	2017 %	2016 %
Related party loans	**10.2**	10.2

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

C8. Trade and other payables

	2017 £'000	2016 £'000
Trade creditors	**695**	-
Amounts owed to group undertakings	**157**	73
Accruals	**56**	371
	908	444

C9. Share capital and reserves

Share capital

	2017 £'000	2016 £'000
Allotted, issued and fully paid Ordinary shares of £1 each	**39,814**	35,230

Issue of new shares

During 2016, 4,773,716 Ordinary shares, 1,898,925 Ordinary shares and 7,037,665 Ordinary shares were issued at par on 13 January, 1 February and 23 September, and on 22 December 2017 a further 4,584,571 Ordinary shares were issued at par. No share premium arose in relation to any of the foregoing transactions.

	Number
Share capital in issue at 1 January 2016	21,519,357
Shares issued in the year	13,710,306
Share capital in issue at 1 January 2017	35,229,663
Shares issued in the year	4,584,571
Share capital in issue at 31 December 2017	**39,814,234**

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

Reserves

The Company's reserves represent the following:

Retained earnings

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

C10. Events after the reporting date

Loan refinancing:

At the beginning of March 2018, the Group refinanced its existing Senior Facilities Agreement ("SFA") to reduce the effective interest rates paid by the group and to give additional capacity for accretive M&A activity. A new Term Loan B ("TLB") amounting to $444.3 million was made available and drawn immediately, with the funds used to settle all existing facilities for an amount of $367.1 million, with the balance being available to, (i) Fund the acquisition of Billi Australia Pty Limited and GLGB Limited and (ii) leave cash on balance sheet. Additionally, a multi-purpose Revolving Credit Facility ("RCF") was also made available for an amount of $45.0 million, the RCF remains undrawn as at the date of the signing of the accounts.

Given the significant nature of the re-finance, the capitalised professional and arrangement fees relating to the repaid facilities resulted were released, and this resulted in the recognition of a charge to the Income Statement of $14.3 million being taken in 2018.

Acquisition:

On 1 January 2018 Waterlogic Holdings GmbH acquired 100% of the share capital of ABO Filtertechnik Nord GmbH ("ABO Nord") for $4.0 million, a company incorporated in Germany. ABO Nord is a leading distributor of point-of-use and bottled water coolers in Northern Germany. A reasonable estimate of the financial effects of this transaction cannot be made at the date of signing of these financial statements.

On 13 March 2018 the Group signed definitive agreements to acquire 100% of the share capital of Billi Australia Pty Limited and GLGB Limited, which are companies incorporated in Australia and the UK respectively. The date of completion is expected to be 27 April 2018.

C11. Ultimate controlling party

The immediate parent company of the Group is Firewall Holdings S.à.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. Waterlogic Group Holdings Limited is the smallest and largest group which prepares consolidated accounts including the results of the Company. These consolidated accounts are on pages 1 to 65 and are publicly available at Companies House.