

Company Registration No. 11415204 (England and Wales)

WATERLOGIC FINANCE 2 LIMITED
REPORT AND UNAUDITED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2021
PAGES FOR FILING WITH REGISTRAR



WATERLOGIC FINANCE 2 LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their annual report and financial statements of Waterlogic Finance 2 Limited ("the Company") for the year ended 31 December 2021.

Principal activities

The principal activity of the Company continued to be that of a finance entity for the group headed by Waterlogic Group Holdings Limited ("the Waterlogic Group"), of which the Company is a member.

Directors

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

Mr J Ben-David

Mr H W H Jenkins

Qualifying third party indemnity provisions

Waterlogic Group Holdings Limited (see note 13), has made qualifying third party indemnity provisions for the benefit of the Company's directors during the year. These provisions remain in force at the reporting date.

Going concern

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 Company and the Waterlogic Group for the foreseeable future, which covers a period of at least 12 months from the date of signing the financial statements.

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

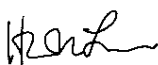
The Directors of the Waterlogic Group have modelled the reasonably possible worst-case scenario, which covers a period of at least 12 months from the date of signing these financial statements. This model includes an overall decrease in revenue compared to the 2022 budget, with an associated reduction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

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

Small companies exemption

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board



Mr H W H Jenkins

Director

Date: 23/09/22

WATERLOGIC FINANCE 2 LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

WATERLOGIC FINANCE 2 LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

		2021 £	2020 £
	Notes		
Turnover		-	-
Administrative expenses		(20,856)	(19,931)
Interest receivable and similar income	4	121,749,871	63,341,344
Interest payable and similar expenses		(37,265,916)	(62,328,685)
Profit before taxation		84,463,099	992,728
Tax on profit	5	-	-
Profit for the financial year		84,463,099	992,728

WATERLOGIC FINANCE 2 LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2021**

	Notes	2021 £	£	2020 £	£
Current assets					
Debtors falling due after more than one year	6	983,630,105		838,886,439	
Creditors: amounts falling due within one year	7	(782,787,421)		(722,506,854)	
Net current assets		<u>200,842,684</u>		<u>116,379,585</u>	
Capital and reserves					
Called up share capital	9	35,000,006		35,000,006	
Share premium account	10	29,999,994		29,999,994	
Profit and loss reserves	10	<u>135,842,684</u>		<u>51,379,585</u>	
Total equity		<u>200,842,684</u>		<u>116,379,585</u>	

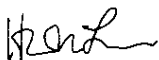
For the financial year ended 31 December 2021 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

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

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

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved by the board of directors and authorised for issue on 23/09/22 and are signed on its behalf by:



Mr H W H Jenkins
Director

WATERLOGIC FINANCE 2 LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 January 2020		35,000,000	-	50,386,857	85,386,857
Year ended 31 December 2020:					
Profit and total comprehensive income for the year		-	-	992,728	992,728
Issue of share capital	9	6	29,999,994	-	30,000,000
Balance at 31 December 2020		35,000,006	29,999,994	51,379,585	116,379,585
Year ended 31 December 2021:					
Profit and total comprehensive income for the year		-	-	84,463,099	84,463,099
Balance at 31 December 2021		35,000,006	29,999,994	135,842,684	200,842,684

WATERLOGIC FINANCE 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Company information

Waterlogic Finance 2 Limited is a private company limited by shares and is incorporated in England and Wales. The registered office is Fourth Floor, Abbots House, Abbey Street, Reading, Berkshire, RG1 3BD.

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

Accounting convention

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

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

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

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

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

The Company is a wholly owned subsidiary within the group headed by Waterlogic Group Holdings Limited ("the Waterlogic Group") and the results of the Company are included in the consolidated financial statements of Waterlogic Group Holdings Limited, a company incorporated in England & Wales. The consolidated financial statements of the Waterlogic Group are available from Fourth Floor Abbots House, Abbey Street, Reading, England, RG1 3BD.

The above exemptions are taken on the basis that the Company is a qualifying entity. The financial information of the Company is included within the consolidated financial statements of the Waterlogic Group and those consolidated financial statements are prepared under International Financial Reporting Standards (IFRS), having similar disclosure requirements in the areas where exemptions have been taken.

WATERLOGIC FINANCE 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (Continued)

Going concern

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 Company and the Waterlogic Group for the foreseeable future, which covers a period of at least 12 months from the date of signing the financial statements.

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

The Directors of the Waterlogic Group have modelled the reasonably possible worst-case scenario, which covers a period of at least 12 months from the date of signing these financial statements. This model includes an overall decrease in revenue compared to the 2022 budget, with an associated reduction in costs and capital expenditure. This model has not included the ability to draw down on the Waterlogic Group's RCF facility and nevertheless continues to show the Group will have significant cash reserves.

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

Financial instruments

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

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

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

Basic financial assets

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

Impairment of financial assets

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

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

Classification of financial liabilities

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

WATERLOGIC FINANCE 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (Continued)

Basic financial liabilities

Basic financial liabilities, including other payables and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

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

Equity instruments

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

Taxation

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

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

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

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

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

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

Foreign exchange

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

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

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

WATERLOGIC FINANCE 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

2 Judgements and key sources of estimation uncertainty

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

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

Critical judgements

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

Indicators of impairment

In accordance with FRS 102, the Directors assess the assets 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.

3 Employees

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

	2021 Number	2020 Number
Total	-	-

4 Interest receivable and similar income

	2021 £	2020 £
Interest income		
Interest receivable from group companies	76,409,076	63,341,344
Exchange differences on financing transactions	45,340,795	-
Total income	121,749,871	63,341,344

5 Taxation

WATERLOGIC FINANCE 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

5 Taxation (Continued)

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

	2021 £	2020 £
Profit before taxation	84,463,099	992,728
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	16,047,989	188,618
Tax effect of expenses that are not deductible in determining taxable profit	(8,263,778)	11,842,377
Tax effect of income not taxable in determining taxable profit	6,893,236	-
Group relief	(14,677,447)	(12,030,995)
Taxation charge for the year	-	-

On 3 March 2021, the UK Government announced an increase in the main UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The change in rate was substantively enacted on 24 May 2021. Deferred tax has been calculated at 25%, which was the tax rate substantively enacted at 31 December 2021.

WATERLOGIC FINANCE 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

6 Debtors

	2021	2020
	£	£
Amounts falling due after more than one year:		
Amounts owed by group undertakings	983,630,105	838,886,439

On 9 July 2018 an unsecured loan was issued to Waterlogic Holdings Limited, the immediate parent undertaking, which is repayable in full by 29 January 2044. A further advance was made on 1 September 2020. Interest is charged at a rate of 10.2% per annum. At the year end date amounts due from Waterlogic Holdings Limited amounted to £323,104,332 (2020: £298,295,161).

On 9 July 2018 an unsecured loan was issued to Waterlogic Holdings Limited, the immediate parent undertaking, which is repayable in full by 14 March 2025. A further advance was made on 1 September 2020. Interest is charged at a rate of 7.5% per annum. At the year end date amounts due from Waterlogic Holdings Limited amounted to £67,132,558 (2020: £61,165,165).

On 9 July 2018 an unsecured loan was issued to Waterlogic Finance Limited, a fellow group undertaking, which is repayable in full by 29 January 2044. Further advances were made on 21 December 2018, 31 October 2019, 1 September 2020 and 1 November 2020. At the year end date amounts due from Waterlogic Finance Limited amounted to £557,391,815 (2020: £479,426,112). Interest is charged at a rate of 7.5% on amounts totalling £46,460,345 (2020: £nil) and at a rate of 10.2% on amounts totalling £510,931,470 (2020: £479,426,112).

On 1 December 2021 an unsecured loan was issued to Waterlogic Group Holdings Limited, a fellow group undertaking, which is repayable in full by 29 January 2044. Interest is charged at a rate of 10.2% per annum. At the year end date amounts due from Waterlogic Group Holdings Limited amounted to £36,001,400 (2020: £nil).

7 Creditors: amounts falling due within one year

	Notes	2021	2020
		£	£
Other borrowings	8	780,148,901	701,421,049
Amounts owed to group undertakings		94	5,162
Dividends payable		2,616,542	21,065,600
Accruals and deferred income		21,884	15,043
		<u>782,787,421</u>	<u>722,506,854</u>

Other borrowings and dividends payable are both amounts due to group undertakings.

WATERLOGIC FINANCE 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

8 Borrowings

	2021 £	2020 £
Preference shares	780,110,517	701,402,346
Loans from group undertakings	38,384	18,703
	<u>780,148,901</u>	<u>701,421,049</u>
Payable within one year	<u>780,148,901</u>	<u>701,421,049</u>

Preference shares

All preference shares are owned by other group undertakings and are classed as debt due to the mandatory dividends and redemption rights.

There are four classes of preference shares; Preference (USD), A Preference (EUR), B Preference (EUR) and Preference AUD. The number of shares in issue is as follows:

78,710,537 (2020: 74,716,305) Preference shares of USD\$1 each
454,000,000 (2020: 454,000,000) Preference A shares of €1 each
350,892,538 (2020: 265,715,125) Preference B shares of €1 each
85,900,328 (2020: Nil) Preference shares of AUD\$ 1 each

On 1 December 2021, the Company issued a further 85,177,412 B Preference shares of €1 each, a further 3,994,232 Preference shares of USD \$1 each and 85,900,328 Preference shares of AUD \$1 each.

The Preference (USD) shares are redeemable at par, and carry a fixed cumulative dividend of 7.5% per annum payable quarterly in arrears. Payments totalling £371,059 (2020: £6,434,748) were not settled on the due dates and have not yet been paid at the date of approving these financial statements.

The A Preference (EUR) shares are redeemable at par, and carry a fixed cumulative dividend of 3.75% per annum payable quarterly in arrears.

The B Preference (EUR) shares are redeemable at par, and carry a fixed cumulative dividend of 7.8% per annum payable quarterly in arrears. Payments totalling £1,951,409 (2020: £14,630,852) were not settled on the due dates.

The Preference (AUD) shares are redeemable at par, and carry a fixed cumulative dividend of 7.5% per annum payable quarterly in arrears. Payments totalling £294,073 (2020: £Nil) were not settled on the due dates and have not yet been paid at the date of approving these financial statements.

Redemption, buyback or cancellation can be made by either the Company or the holder with no less than 10 business days' notice on all classes of preference shares.

The redeemable Preference shares, which are denominated in USD, conferring on each member the right to participate in dividends in priority to the Ordinary shares, but after the A Preference shares. The shares carry no entitlement to vote unless as specified in the articles and no entitlement to capital distributions on a winding up.

The redeemable Preference A shares, which are denominated in EUR, conferring on each member the right to participate in dividends in priority to the Ordinary shares, B Preferences shares and Preference shares. The shares carry no entitlement to vote unless as specified in the articles and no entitlement to capital distributions on a winding up.

WATERLOGIC FINANCE 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

8 Borrowings (Continued)

The redeemable Preference B shares, which are denominated in EUR, conferring on each member the right to participate in dividends in priority to the Ordinary shares, but after the A Preference shares. The shares carry no entitlement to vote unless as specified in the articles and no entitlement to capital distributions on a winding up.

The redeemable Preference shares, which are denominated in AUD, conferring on each member the right to participate in dividends in priority to the Ordinary shares, but after the A Preference shares. The shares carry no entitlement to vote unless as specified in the articles and no entitlement to capital distributions on a winding up.

Loans from group undertakings

The Company has entered into an unsecured loan agreement with a fellow group undertaking. Interest on borrowings is charged at LIBOR plus 2.8% and interest on amounts loaned is charged at LIBOR plus 1.5%. At 31 December 2021, the Company owed £38,384 (2020: £18,703). All balances are repayable on demand.

9 Share capital

	2021 Number	2020 Number	2021 £	2020 £
Ordinary share capital				
Issued and fully paid				
Ordinary shares of £1 each	35,000,006	35,000,006	35,000,006	35,000,006

Ordinary shares

The Ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

Preference shares

The preference shares are classified as liabilities and their terms are set out in note 8.

10 Reserves

Share premium

The share premium account represents consideration received for shares above their nominal value net of transaction costs.

Profit and loss reserves

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

11 Financial commitments, guarantees and contingent liabilities

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

12 Related party transactions

Details relating to guarantees provided by the Company involving other group undertakings may be found in note 11 to these financial statements.

WATERLOGIC FINANCE 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

12 Related party transactions (Continued)

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

13 Ultimate controlling party

The immediate parent company is Waterlogic Holdings Limited, a company incorporated in England and Wales. Waterlogic Holdings Limited has its registered office at Fourth Floor Abbots House, Abbey Street, Reading, Berkshire, England, RG1 3BD.

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

The parent of the smallest and largest group preparing consolidated financial statements including the results of the Company is Waterlogic Group Holdings Limited, a company incorporated in England and Wales. Group financial statements can be obtained from Fourth Floor Abbots House, Abbey Street, Reading, England, RG1 3BD.