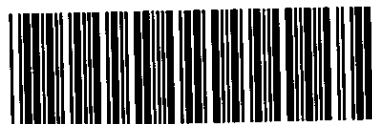


Company Registration No. 11415204 (England and Wales)

WATERLOGIC FINANCE 2 LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2022

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WATERLOGIC FINANCE 2 LIMITED

COMPANY INFORMATION

Directors	Mr H W H Jenkins Mr S P Sully
Company number	11415204
Registered office	Fourth Floor Abbots House Abbey Street Reading Berkshire RG1 3BD
Auditor	Deloitte LLP 1 New Street Square London EC4A 3HQ

WATERLOGIC FINANCE 2 LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and financial statements for the year ended 31 December 2022.

Principal activities

Up until 31 October 2022 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.

On the 31 October 2022 the Waterlogic Group was acquired by Culligan (the "The Culligan Group"). This has no impact on the operations of the company which remained one of the finance companies for the wider Culligan Group.

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	(Resigned 9 May 2023)
Mr H W H Jenkins	
Mr S P Sully	(Appointed 19 May 2023)

Qualifying third party indemnity provisions

Qualifying third party indemnity provisions were in force for the benefit of the Company's directors during the year. These provisions remain in force at the reporting date.

Auditor

Deloitte LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of directors' responsibilities

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 those 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

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Statement of disclosure to auditor

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

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all the steps that they 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 auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Events after the reporting date

On 30 November 2023 a resolution of reduction in issued share capital was passed to reduce the share capital to £1 and the preference share capital to £nil.

On 30 November 2023 a resolution was also passed to cancel the share premium account.

The loans owed to group companies were settled as part of the 30 November 2023 loan restructuring.

Going Concern

The conclusion relating to the going concern status of the company can be found on page 10.

Small companies exemption

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

Authorised for issue by the board

..... 

Mr H W H Jenkins

Director

Date: 28 March 2024

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WATERLOGIC FINANCE 2 LIMITED

Opinion

In our opinion the financial statements of Waterlogic Finance 2 Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- 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
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WATERLOGIC FINANCE 2 LIMITED (CONTINUED)

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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and internal legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WATERLOGIC FINANCE 2 LIMITED (CONTINUED)

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report

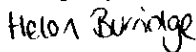
We have nothing to report in respect of these matters.

Other matter

As the company was exempt from audit under section 479A of the Companies Act 2006 in the prior year we have not audited the corresponding amounts for that year.

Use of our report

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

DocuSigned by:

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Helen Burridge (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

28 March 2024

WATERLOGIC FINANCE 2 LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

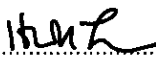
		2022	2021
	Notes	£	Unaudited £
Turnover		-	-
Administrative expenses		(69,855)	(20,856)
Operating loss	6	(69,855)	(20,856)
Interest receivable and similar income	4	85,497,375	121,749,871
Interest payable and similar expenses	5	(90,857,268)	(37,265,916)
(Loss)/profit before taxation	6	(5,429,748)	84,463,099
Tax on (loss)/profit	7	-	-
(Loss)/profit for the financial year and total comprehensive income		(5,429,748)	84,463,099

The Company has no items of other comprehensive income in the period for which financial statements are presented. As such, no separate statement of other comprehensive income is presented.

WATERLOGIC FINANCE 2 LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2022**

		2022		2021	
	Notes	£	£	Unaudited	£
Current assets					
Debtors falling due after more than one year	8	1,056,575,369	983,630,105		
Creditors: amounts falling due within one year	9	(861,162,433)	(782,787,421)		
Net current assets		195,412,936		200,842,684	
Net assets		195,412,936		200,842,684	
Capital and reserves					
Called up share capital	11	35,000,006		35,000,006	
Share premium account	12	29,999,994		29,999,994	
Profit and loss reserves	12	130,412,936		135,842,684	
Total equity		195,412,936		200,842,684	

The financial statements were approved by the Board of Directors and authorised for issue on 28 March 2023 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 2022

	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 January 2021 (unaudited)	35,000,006	29,999,994	51,379,585	116,379,585
Year ended 31 December 2021 (unaudited):				
Profit and total comprehensive income for the year	-	-	84,463,099	84,463,099
Balance at 31 December 2021 (unaudited)	35,000,006	29,999,994	135,842,684	200,842,684
Year ended 31 December 2022:				
Loss and total comprehensive income for the year	-	-	(5,429,748)	(5,429,748)
Balance at 31 December 2022	35,000,006	29,999,994	130,412,936	195,412,936

WATERLOGIC FINANCE 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") issued by the Financial Reporting Council 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;

The Company is a wholly owned subsidiary and the results of the Company are included in the consolidated financial statements of Osmosis Holdings, LP, a company incorporated in the United States. Copies of Osmosis Holdings, LP consolidated financial statements can be obtained from Culligan International Company, 9399 W.Higgins Road, Suite 1100 Rosemont, IL 60018, USA.

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 Culligan 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 2022

1 Accounting policies (Continued)

Going concern

At the year end the Company has net assets of £195,412,936 (2021: £200,842,684), inclusive of debtors due after more than one year. The Directors have considered the financial requirements of the Company for the period to 31 March 2025 being the going concern period assessed by the directors. Forecasts are based on expected future trading performance and working capital requirements. The Company is part of a group cash-pooling arrangement whereby funds are swept on a daily basis. As a result, the company is reliant on parental support.

Osmosis Holdings, LP, a parent company, has agreed to provide continuing financial support to enable the company to meet its obligations as and when they fall due for at least the period to 31 March 2025 being the going concern review period assessed by the Directors.

The Directors of Osmosis Holdings, LP, have assessed the potential impact of inflation and market conditions on the forecast cashflows of the group in considering the ability of the group to provide support to the Company and have a reasonable expectation that the group has adequate resources to continue in operational existence until at least 31 March 2025.

Due to this continued parental support, the ongoing financial performance of the Company and the Company's current balance sheet position the Directors continue to prepare the financial statements on a going concern basis.

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.

Derecognition of financial assets

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

WATERLOGIC FINANCE 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

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.

Basic financial liabilities

Basic financial liabilities, including amounts owed to group undertakings 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.

Derecognition of financial liabilities

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

Equity instruments

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

Taxation

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

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

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

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

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

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

WATERLOGIC FINANCE 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

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.

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 and Key sources of estimation uncertainty

The directors assess that there are no critical judgements or estimates included in the financial statements.

3 Employees

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

	2022 Number	2021 Unaudited Number
Total	-	-

4 Interest receivable and similar income

	2022 £	2021 Unaudited £
Interest income		
Interest receivable from group companies	85,497,375	76,409,076
Exchange differences on financing transactions	-	45,340,795
Total income	85,497,375	121,749,871

WATERLOGIC FINANCE 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

5 Interest payable and similar expenses

	2022	2021
	£	Unaudited £
Dividends on redeemable preference shares not classified as equity	46,362,475	37,265,318
Interest payable to group undertakings	1,450	598
Exchange differences on financing transactions	44,493,343	-
	<u>90,857,268</u>	<u>37,265,916</u>

Preference dividends in arrears at 31 December 2022 total £35,500,650 (2021 Unaudited: £2,616,542). Details of the period and share class to which these relate are disclosed in note 10.

6 Profit before taxation

Exchange differences recognised in profit or loss during the year amounted to a loss of £44,493,343 (2021: a gain of £45,340,795), and are shown within interest payable and interest receivable and similar income on the face of the statement of comprehensive income. The current year audit fee amounted to £28,800 (2021: £nil).

7 Taxation

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

	2022	2021
	£	Unaudited £
(Loss)/profit before taxation	<u>(5,429,748)</u>	<u>84,463,099</u>
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2021 Unaudited: 19.00%)	(1,031,652)	16,047,989
Tax effect of expenses that are not deductible in determining taxable profit	17,262,605	(8,263,778)
Tax effect of income not taxable in determining taxable profit	-	6,893,236
Group relief	<u>(16,230,953)</u>	<u>(14,677,447)</u>
Taxation charge for the year	<u>-</u>	<u>-</u>

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. The unrecognised deferred tax asset as at 31 December 2022 has been calculated based upon the substantively enacted rate of 25% (2021: 25%). This rate increase will impact the Company's future tax charge.

WATERLOGIC FINANCE 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

8 Debtors

	2022	2021
	£	Unaudited £
Amounts falling due after more than one year:		
Amounts owed by group undertakings	1,056,575,369	983,630,105

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 £421,834,771 (2021: £323,104,332).

On 9 July 2018 an unsecured loan was issued to Waterlogic Holdings Limited, the immediate parent undertaking, which was 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 £nil (2021: £67,132,558).

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 £595,098,594 (2021: £557,391,815). Interest is charged at a rate of 7.5% on amounts totalling £52,312,346 (2021: £46,460,345) and at a rate of 10.2% on amounts totalling £542,786,248 (2021: £510,931,470).

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 £39,642,004 (2021: £36,001,400).

9 Creditors: amounts falling due within one year

		2022	2021
	Notes	£	Unaudited £
Other borrowings	10	825,592,573	780,148,901
Amounts owed to group undertakings		147	94
Preference share dividends		35,500,650	2,616,542
Accruals and deferred income		69,063	21,884
		861,162,433	782,787,421

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 2022

10 Borrowings

	2022	2021
	£	Unaudited £
Preference shares	825,530,115	780,110,517
Loans from group undertakings	62,458	38,384
	<u>825,592,573</u>	<u>780,148,901</u>
Payable within one year	<u>825,592,573</u>	<u>780,148,901</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 (2021: 78,710,537) Preference shares of US\$1 each
 454,000,000 (2021: 454,000,000) Preference A shares of €1 each
 350,892,538 (2021: 350,892,538) Preference B shares of €1 each
 85,900,328 (2021: 85,900,328) Preference shares of AU\$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 £5,293,456 (2021: £371,059) 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 £26,270,846 (2021: £1,951,409) 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 £3,936,348 (2021: £294,073) 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 2022

10 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 2.8% and interest on amounts loaned is charged at 1.5%. At 31 December 2022, the Company owed £62,458 (2021: £38,384). All balances are repayable on demand.

11 Share capital

	2022	2021	2022	2021
	Number	Unaudited Number	£	Unaudited £
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 10.

12 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.

WATERLOGIC FINANCE 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

13 Financial commitments, guarantees and contingent liabilities

On acquisition of the Company by the Culligan Group on 31 October 2022, the Company became a guarantor, alongside group companies, of a credit agreement dated 30 July 2021 entered into by AI Aqua Merger Sub, Inc and Osmosis Holdings Australia II Pty Ltd, both of these entities being fellow wholly owned subsidiaries of Osmosis Holdings, LP. Under the terms of the agreement the companies obtained initial loans of US \$1,667,937 and US\$332,062,500 respectively for the capital investment in and acquisition of the group.

Additional draw down facilities are available under the same credit agreement alongside a revolving credit agreement, for further group investing and acquisition activities. As at the year end the balance outstanding under this credit agreement was US\$2,906,949,063 (2021: US\$1,709,637,500) and US\$578,675,938 (2021: US\$340,362,500) relating to AI Aqua Merger Sub, Inc and Osmosis Australia II Pty Ltd, respectively. A further US\$10,500,000 (2021: US\$nil) was owed by AI Aqua Merger Sub relating to the revolving credit facility. The guarantee is secured by a fixed and floating charge over the assets of the Company together with a fixed charge over the shares, bank accounts, intellectual property, tangible moveable property and trade debtors of the Company.

The Company participates in the VAT group with fellow group companies. As at the year end VAT group owed HMRC £1,331,085.

Morgan Stanley holds a charge over the trade and assets of the Company as security over the Facilities Agreement entered into by Osmosis Buyer Limited. The Directors have not recognised any amount in respect of this security in these financial statements as there are no indications that the 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.

14 Events after the reporting date

On 30 November 2023 a resolution of reduction in issued share capital was passed to reduce the share capital to £1 and the preference share capital to £nil.

On 30 November 2023 a resolution was also passed to cancel the share premium account.

As part of the loan simplification process total loans were forgiven and distributed equating to the value £242,206,857.

15 Related party transactions

Details relating to guarantees provided by the Company involving other group undertakings may be found in note 13 to these financial statements.

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

16 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 parent company and controlling party is BDT Capital Partners. The parent undertaking of the smallest and largest group to consolidate these financial statements is Osmosis Holding LP. Copies of Osmosis Holdings, LP consolidated financial statements can be obtained from Culligan International Company, 9399 W.Higgins Road, Suite 1100 Rosemont, IL 60018, USA.