Eden Springs UK Limited

Annual Report

For the year ended 31 December 2018

Registered Number: 04063744

Eden Springs UK Limited

Contents

Eden Springs UK Limited

Directors and advisers for the year ended 31 December 2018

Directors
B Macpherson
R Frieman (appointed 18th May 2018)
S Perkey (appointed 18th May 2018)

Company Secretary
Dentons Secretaries Limited

Registered Office
Unit D, Fleming Centre
Fleming Way
Crawley
RH10 9NN

Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
141 Bothwell Street
Glasgow
G2 7EQ

Solicitors

Dentons UKMEA LLP	Harper Macleod LLP
1 George Square	The Ca'd'oro, 45 Gordon Street
Glasgow	Glasgow
G2 1AL	G1 3PE

Website
www.edensprings.co.uk

Eden Springs UK Limited

Strategic report

The directors present their Strategic Report on Eden Springs UK Limited (the "Company") for the year ended 31 December 2018.

Results and dividends

The profit for the year amounted to £672,000 (2017: £1,099,000). The directors do not recommend the payment of a dividend in 2018 (2017: £ nil). The Company had net assets of £15,923,000 (2017: £15,251,000).

Principal activities

The principal activity of the Company during the year was the supply and distribution of water coolers, water, coffee machines, coffee and other associated products.

Business review

2018 was a year of further change at Eden Springs UK Limited. Following the acquisition in August 2016 of the entire Eden Springs group by Cott Corporation, much of the senior management time over 2018 focused on improving service levels across the organisation, insourcing coffee production and implementing recycling schemes and biodegradable products.

Cott is a leading water, coffee and coffee extracts, tea and filtration solutions service company registered in Canada with businesses across North America and Europe. The company is listed on the New York Stock Exchange (NYSE: COT).

The company's revenue declined by 2.6%, comprising a drop in coffee revenue across the customer base of -5.9%, largely as a result of a decline in single serve coffee consumption, offset by an increase in Water revenue of 0.8%, the net effect of a drop in bottled water customer base, but better pricing, an increase in the plumbed-in cooler base, and the contribution from WCS post-acquisition

We believe that we remain well placed to develop the UK business further in the years to come despite a challenging market and the uncertainties surrounding the Brexit process.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks affecting the Company are set out below:

Brexit

All British businesses continue to try to understand the possible impact of Brexit depending on whichever form it ultimately takes. We believe that the direct impact will be limited as we operate, by and large, a vertically integrated company. However, we have seen our costs suffer through inflation on imports which have had an impact on our customers very quickly. The biggest risks are a general slowdown of the economy post-Brexit and that some of our large customers and key suppliers are exposed.

Industry Shifts

The shift of the water industry continues to be towards plumbed-in watercoolers as opposed to the more traditional bottled water cooler. This movement has continued to lead to increased competition for these products and has put pressure on pricing and margins. The Company has embraced this change in the market by re-focusing sales and marketing strategies and has continued to diversify into the growing 'Bean to Cup' coffee machine segment to supplement the existing 'Single Serve' coffee base.

Strategic report (continued)

Principal risks and uncertainties (continued)

Labour Costs

Employee costs are the largest single component of the Company's operating costs. Our aim to offer high quality services is dependent on recruiting and retaining the right calibre of employees for our business. Local economic prosperity, employment levels and our image as an employer affect our ability to deliver this aim. Additionally, we incur significant other staff costs such as recruitment and training. We seek to mitigate this risk by offering competitive salary packages to all staff and by continued monitoring of staff morale and wellbeing.

Acquisitive Growth

Our strategy calls for regular acquisitions in our business, consequently exposing us to the risks associated with acquisitions and integrations.

The risks associated with such a strategy include the availability of suitable acquisition candidates, and assimilating and integrating acquired companies into the Eden Springs UK Limited business model. In addition, potential difficulties inherent in mergers and acquisitions may adversely affect the results of an acquisition. These include delays in implementation or unexpected costs or liabilities, as well as the risk of failing to realise operating benefits or synergies from completed transactions.

We mitigate these risks by following systematic procedures for integrating acquisitions, applying strict financial criteria to any potential acquisition, and subjecting the process to close monitoring and review by local management and the Board.

Key Performance Indicators ("KPIs")

The business uses a number of operational KPIs to monitor its performance; the most important indicators are as follows:

Growth

Eden Springs UK Limited maintains its position as the largest route based water and coffee company in the UK, measuring the average machine base, being the number of machines on rental or service contracts at customer sites.

Consumption

We also monitor bottle sales per water cooler per month, which increased by 4.1% to the prior year on the back of a warm summer. Stabilisation of water consumption, compared to the significant drops in the past, is expected to continue going forward.

Consumption per coffee client has seen a decrease. This is partly attributable to a fall in online sales which have no contracted customer base yet influence the average consumption KPIs, and partly due to a continuing drop in consumption on Key accounts. We believe that the main influence is coming from a) the high street i.e. Costa, Starbucks and Café Nero with employees coming to work with a coffee and b) the growth of Bean 2 Cup coffee in the workplace which has an impact on daily consumption.

Average revenue per cooler

Average revenue per bottled cooler increased in 2018 by 3.3% against 2017, though average per plumbed-in cooler fell by 8.6%.

Average revenue per coffee machine has decreased by 3.9% from 2017.

Strategic report (continued)

Financial risk management
The Company's operations expose it to financial risks, mainly credit risk. The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company caused by these risks.

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the Company's finance department.

Credit risk
The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. Where debt finance is utilised, this is subject to pre-approval by the local financial management. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the finance team.

Other risks
Price risk, liquidity risk and interest rate cash flow risk are not deemed to be significant given the use of group funding in preference to external financing in operation at Eden Springs UK Limited.

On behalf of the Board

B Macpherson
Director

25 November 2019

Eden Springs UK Limited

Directors' report

The directors present their Directors' Report and the audited financial statements of Eden Springs UK Limited (the "Company") for the year ended 31 December 2018.

Results and dividends

The profit for the year amounted to £672,000 (2017: £1,099,000). The directors do not recommend the payment of a dividend in 2018 (2017: £ nil).

Future outlook

The principal activity of the Company during the year was the supply and distribution of water coolers, water, coffee machines, coffee and other associated products.

The Company decided that its vision and therefore strategic focus would be on becoming the UK's first choice provider of water and coffee solutions, providing Plumbed in Watercoolers, Coffee machines, Tea and Small pack bottles of water in addition to Bottled Water Coolers. This will remain the focus for the Company despite challenging market conditions. Following multiple acquisitions in preceding years, revenue from coffee now represents 49% of the Company's sales. With the support of Cott Corporation, the Company continues to seek further opportunities in the Water and Coffee markets.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

B Macpherson

O Plouvin	(resigned 18th May 2018)
Y Shapira	(resigned 18th May 2018)
R Frieman	(appointed 18th May 2018)
S Perkey	(appointed 18th May 2018).

Employee involvement

The Company systematically provides employees with information on matters of concern to them, consulting them so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the Company plays a major role in maintaining its success. The Company encourages the involvement of employees by means of regular meetings and focus groups, internet based communication and through the production of an in-house magazine.

Disabled persons

The Company's policy for training and career development is to give full and fair consideration to any suitable person, including disabled persons, for all vacancies and opportunities and promotion. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that any appropriate re-training is arranged.

Eden Springs UK Limited

Directors' report (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for 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.

Disclosure of information to auditors

In the case of each of the persons who are directors at the time of this report the following applies:

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

On behalf of the Board

B Macpherson
Director
25 November 2019

Independent auditors' report to the members of Eden Springs UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Eden Springs UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Statement of Financial position as at 31 December 2018; the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the 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 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 the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Independent auditors' report to the members of Eden Springs UK Limited (continued)

Report on the audit of the financial statements (continued)

Reporting on other information (continued)

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the members of Eden Springs UK Limited (continued)

Report on the audit of the financial statements (continued)

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Paul Cheshire (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
25 November 2019

Eden Springs UK Limited

Statement of Comprehensive Income
for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Revenue	3	**47,007**	48,269
Cost of sales		**(17,938)**	(19,145)
Gross profit		**29,069**	29,124
Administration expenses		**(24,705)**	(23,897)
Other operating expenses		**(1,793)**	(1,916)
Restructuring costs		**(414)**	(523)
Other operating expenses		**(1,379)**	(1,393)
Operating profit	4	**2,571**	3,311
Finance costs	6	**(1,845)**	(2,089)
Profit before tax		**726**	1,222
Tax on profit	7	**(54)**	(123)
Profit for the financial year		**672**	1,099
Total Comprehensive Income for the year		**672**	1,099

All activities relate to continuing operations.

The notes on pages 14 to 32 are an integral part of these financial statements.

Eden Springs UK Limited

Statement of financial position at 31 December 2018

	Note	31 December 2018 £'000	31 December 2017 £'000
Fixed assets			
Intangible assets	8	**37,194**	38,412
Property, plant and equipment	9	**5,587**	5,606
Deferred income tax asset	11	**1,012**	513
		43,793	44,531
Current assets			
Inventories	12	**1,664**	1,562
Trade and other receivables	13	**12,539**	13,553
Cash and cash equivalents	14	**365**	234
		14,568	15,349
Creditors – amounts falling due within one year	15	**(42,437)**	(44,600)
Net current liabilities		**(27,869)**	(29,251)
Total assets less current liabilities		**15,924**	15,280
Creditors – amounts falling due after more than one year	15	**(1)**	(29)
Net assets		**15,923**	15,251
Equity			
Called Up Share Capital	17	**25,942**	25,942
Share Premium Account		**28,026**	28,026
Accumulated losses		**(38,045)**	(38,717)
Total shareholders' funds		**15,923**	15,251

The notes on pages 14 to 32 are an integral part of these financial statements.

The financial statements on pages 11 to 32 were approved by the board of directors on 25 November 2019 and were signed on its behalf by:

B Macpherson
Director
Eden Springs UK Limited
Registered Number: 04063744

Eden Springs UK Limited

Statement of changes in equity for the year ended 31 December 2018

	Share capital £'000	Share premium £'000	Accumulated losses £'000	Total equity £'000
At 1 January 2017	**25,942**	**28,026**	**(39,816)**	**14,152**
Profit for the year	-	-	1,099	1,099
Total comprehensive income for the year	-	-	1,099	1,099
At 31 December 2017	**25,942**	**28,026**	**(38,717)**	**15,251**
Profit for the year	-	-	672	672
Total comprehensive income for the year	-	-	672	672
At 31 December 2018	**25,942**	**28,026**	**(38,045)**	**15,923**

1 General information

The principal activity of the Company during the year was the supply and distribution of water coolers, water, coffee machines, coffee and other associated products.

The company is a private company limited by shares, incorporated in England and domiciled in the United Kingdom. Its Registered Office is located at Unit D, Fleming Centre, Fleming Way, Crawley RH10 9NN.

2 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of Eden Springs UK Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.23.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
  - (iii) paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B–D (additional comparative information);
  - 111 (cash flow statement information); and
  - 134–136 (capital management disclosures).

2 Significant accounting policies (continued)

2.1 Basis of preparation (continued)

- IAS 7, 'Statement of cash flows'.
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.

2.2 Basis of consolidation

The company is a wholly owned subsidiary of Eden Springs Nederland B.V. and of its ultimate parent, Cott Corporation. It is included in the consolidated financial statements of Cott Corporation, which are publicly available. Therefore the company is exempt, by virtue of section 401 of the Companies Act 2006, from the requirement to prepare consolidated financial statements.

The address of the ultimate parent's registered office is 1200 Britannia Road East, Mississauga, Ontario L4W 4T5, Canada.

2.3 Going concern

The Company has net assets at 31 December 2018 (2017: net assets), however there is a net current liabilities position of £27,869,000 (2017: £29,251,000) on the statement of financial position. The Company's immediate parent undertaking, Eden Springs Nederland B.V. has indicated that it will provide financial support to the Company for a period of at least one year from date of signing accordingly the financial statements are prepared on a going concern basis.

2.4 Foreign currency translation

a) Functional and presentational currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'sterling' ('£'), which is the Company's functional and the Company's presentational currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings, inter-company payables, cash and cash equivalents are presented in profit or loss within 'finance income or costs'.

2 Significant accounting policies (continued)

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of replacing parts is added to the carrying amount of property, plant and equipment when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its estimated useful life, as follows:

Freehold land and buildings	20 years
Leasehold buildings	over the term of lease
Plant and machinery:	
Coolers	5 to 10 years
Other	3 to 10 years
Motor vehicles	5 to 10 years
Office equipment, furniture and fittings	3 years

The assets' residual value, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than the estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other gains/(losses) in the income statement.

2.6 Intangible assets

a) Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2 Significant accounting policies (continued)

2.6 Intangible assets (continued)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

b) Customer portfolios

Customer portfolios acquired in a business combination are recognised at fair value at acquisition date. The customer portfolios have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method over the expected life of the customer relationship, which does not exceed 8 years, and is included in Other Operating Expenses in the income statement.

c) Computer software

Computer software costs are capitalised and amortised on a straight-line basis over the estimated useful life of the software, normally 5 years. Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred, and is included in Other Operating Expenses in the income statement.

2.7 Investments

The company's investments in subsidiary undertakings are shown at cost less impairment losses.

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis and includes transport and handling costs. Net realisable value is the price at which inventories can be sold in the normal course of business after allowing for the costs of realisation. Provision is made for obsolete, slow moving or defective items where appropriate.

2.9 Financial assets

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The Company classifies its financial assets in the following category:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost and gains and losses are recognised in the income statement. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The most significant financial assets under this category are 'trade and other receivables' and cash and cash equivalents.

2 Significant accounting policies (continued)

2.10 Trade receivables

Trade receivables are amounts due from customers which generally have 30 to 60 day terms. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is evidence that the company will not be able to collect all amounts due according to the original terms of the receivable.

2.11 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.12 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.13 Customer deposits

Deposits received on bottles and coolers are classified as current liabilities as they may be required to be repaid within one year. Any forfeited deposits are released to profit and loss and shown within other operating income.

2.14 Deferred income

Deferred income represents cooler lease receipts received in advance. These amounts are recognised as revenue in the year to which the lease relates.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless at the balance sheet date, the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.16 Pension obligations

The Company operates a defined contribution retirement plan. Payments to the plan are charged as an expense as they fall due. The plan is a group personal pension scheme which is administered by trustees in a fund independent from those of the Company.

2 Significant accounting policies (continued)

2.17 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that the Company will be required to settle that obligation and the amount has been reliably estimated. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to the present value where the effect is material. The increase in the provision due to passage of time is recognised as interest expense.

2.18 Ordinary shares

Ordinary shares are classified as equity. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

2.19 Revenue recognition

Revenue, which is stated net of value added tax, represents the amount derived from the provision of goods and services which fall within the Company's ordinary continuing activities in one segment of one market, the United Kingdom.

a) Sales of goods

Revenue from the sale of bottled water, coffee and ancillary products is recognised when the goods are shipped.

b) Rental income

Cooler and coffee machine rental is recognised over the period of each individual rental contract.

c) Rendering of services

Sanitisation revenue is recognised following the performance of each cooler sanitisation.

d) Interest income

Interest income is recognised on an accruals basis.

2 Significant accounting policies (continued)

2.20 Taxation

The tax expense represents the sum of the income tax charge for the year and deferred tax.

Current tax assets and liabilities are measured at the amount expected to be paid (or recovered) to tax authorities, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are generally recognised on all temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. However such assets and liabilities are not recognised if the temporary difference arises from initial recognition of goodwill, or from the initial recognition (other than a business combination) of other assets and liabilities that affects neither the accounting nor taxable profit or loss.

Deferred tax assets are recognised only to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset or liability is settled.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity, including share based payments. Otherwise income tax is recognised in the income statement.

2.21 Leases

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.

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as the lease expense. Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

Under finance leases and hire purchase contracts, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, the assets acquired are recorded in the balance sheet as an asset (at the equivalent of the purchase price) and as an obligation to pay future hire purchase capital instalments or finance lease rentals. Assets held under hire purchase arrangements are depreciated over their useful life.

Obligations from hire purchase contracts and finance leases within creditors represent the total of the capital payments outstanding at the balance sheet date. Future finance charges are not included.

The interest element of hire purchase and finance lease obligations are charged to the income statement over the period of the hire purchase or finance lease.

Notes to the financial statements for the year ended 31 December 2018 (continued)

2 Significant accounting policies (continued)

2.22 Capital risk management

The capital risk management for the Company is undertaken by the directors when they consider the Company's objectives; safeguarding the Company's ability to continue as a going concern, and providing the required returns for the ultimate parent undertaking and benefits for other stakeholders. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

2.23 Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Company's accounting policies that are described above, management has made judgements and estimates. The areas involving a higher degree of judgement or complexity and where assumptions and estimates are significant to the financial statements are:

Goodwill

The Company tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.6. The recoverable amount of cash-generating units has been determined on value-in-use calculations. These require the use of estimates (note 8).

The key assumptions used for value-in-use calculations for Water and Coffee are EBITA margin ranges of 24.2%-28.0% (Water) and 7.2%- 8.9% (Coffee), revenue growth rates ranges of -4.9% to +7.0% (Water) and -3.9% to +3.0% (Coffee). The pre-tax discount rates used are 12% (Water) and 10% (Coffee) and reflect the specific risks relating to the assets. Management determined budgeted gross margin on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports.

If the budgeted EBITA used in the value in use calculation had been 1% lower than management's estimate at 31 December 2018, the Company would have recognised nil impairment (2017: nil). If the estimated cost of capital used in determining the pre-tax discount rate had been 1% higher than management's estimate at 31 December 2018, the Company would have recognised a nil impairment (2017: £nil).

3 Revenue and other operating income

	2018 £'000	2017 £'000
Sales of goods	**37,967**	39,262
Rental income	**6,018**	5,723
Rendering of services	**3,022**	3,284
Total revenue	**47,007**	48,269
Total income	**47,007**	48,269

All the above income is generated in the United Kingdom and the origin and destination of revenue is the same in all cases.

4 Operating profit

Company operating profit is stated after charging:

	2018 £'000	2017 £'000
Wages and salaries	10,055	10,114
Social security costs	1,052	1,027
Other pension costs	341	343
	11,448	11,484
Depreciation – owned assets	1,948	2,055
Amortisation of intangibles	1,220	1,431
Auditors' remuneration		
-Audit services	79	86
-Services in relation to taxation	-	18
-Other services	3	1
Operating lease rentals		
- plant and machinery	1,387	1,466
- other	939	919
Restructuring costs	414	523

5 Information regarding directors and employees

Directors' remuneration	2018 £'000	2017 £'000
Wages and salaries	179	202
Other pension costs	29	24
	208	226

Highest paid director
The above amounts for remuneration include the following in respect of the highest paid director:

	2018 £'000	2017 £'000
Wages and salaries	179	202
Other pension costs	29	24
	208	226

5 Information regarding directors and employees (continued)

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

	2018 Number	2017 Number
By activity		
Production	21	20
Selling	107	109
Distribution	186	185
Administration	62	66
	376	380

6 Finance costs

	2018 £'000	2017 £'000
Intercompany loan interest	(1,769)	(1,897)
Finance costs – other interest, foreign exchange losses	(76)	(192)
Finance costs	(1,845)	(2,089)

7 Tax on profit

a) The major components of the taxation credit for the year are:

	2018 £'000	2017 £'000
Current tax:		
UK corporation tax charge on profit for the year	553	555
Total current tax	553	555
Deferred tax:		
Origination and reversal of timing differences	(499)	(266)
Effect of changes in tax rates		(166)
Total deferred tax	(499)	(432)
Taxation charge	54	123

The tax assessed for the year is lower (2017: lower) than the standard rate of corporation tax in the UK 19.0% (2017: 19.25%). The differences are explained below:

7 Tax on profit (continued)

b) Factors affecting the taxation credit for the year

	2018	2017
	£'000	£'000
The effective tax rate for the year is reconciled to the actual tax credit as follows:		
Profit before tax	**726**	1,222
Profit before tax multiplied by standard rate of income tax in the UK of 19.0% (2017: 19.25%)	138	235
Effect of:		
Origination and reversals of timing differences	**1,429**	(229)
Non tax deductible expenditure and other permanent differences	**(1,513)**	283
Change in taxation rates	**-**	(166)
Taxation charge for the year	**54**	123

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2017. The change is to reduce the main rate to 17% from 1 April 2020 rather than 18% as previously announced.

Changes to reduce the UK corporation tax rate to 19% from 1 April 2018 had already been substantively enacted on 26 October 2015.

Deferred taxes at the balance sheet date have been measured using the tax rates applicable to their expected reversal years (19%-17%) (2017: 17%) and are reflected in these financial statements.

8 Intangible assets

	Goodwill £'000	Customer portfolios £'000	Computer software £'000	Total £'000
Cost				
At 1 January 2017	31,758	14,682	2,492	48,932
Additions from hive-up (note 20)	369	1,816	-	2,185
At 31 December 2017	32,127	16,498	2,492	51,117
Additions	-	-	2	2
At 31 December 2018	32,127	16,498	2,494	51,119
Accumulated amortisation and impairment				
At 1 January 2017	-	8,792	2,482	11,274
Amortisation expense for the year	-	1,421	10	1,431
At 31 December 2017	-	10,213	2,492	12,705
Amortisation expense for the year	-	1,220	-	1,220
At 31 December 2018	-	11,433	2,492	13,925
Net book value				
At 31 December 2018	32,127	5,065	2	37,194
At 31 December 2017	32,127	6,285	-	38,412

Impairment tests for goodwill

The recoverable amount has been determined based on value-in-use calculations for both the Water and Coffee cash-generating units. These calculations use pre-tax cash flow projections, based on financial budgets approved by management covering a five-year period and are extrapolated using estimated growth rates. The growth rate does not exceed the long term average growth rate of either the cooler supply industry or the coffee industry.

This calculation has resulted in a nil impairment as at 31 December 2018 (2017: nil)

9 Property, plant and equipment

	Freehold land and buildings £'000	Leasehold buildings £'000	Motor vehicles £'000	Plant and machinery £'000	Office equipment, furniture and fittings £'000	Total £'000
Cost						
At 1 January 2017	2,807	1,450	3,455	37,673	4,830	50,215
Additions	-	3	83	1,991	87	2,164
Additions from hive-up (note 20)	-	1	109	185	20	315
Disposals	-	(21)	(23)	(1,708)	(38)	(1,790)
At 31 December 2017	2,807	1,433	3,624	38,141	4,899	50,904
Additions	-	41	-	2,154	14	2,209
Disposals	-	-	(57)	(485)	-	(542)
At 31 December 2018	**2,807**	**1,474**	**3,567**	**39,810**	**4,913**	**52,571**
Accumulated depreciation						
At 1 January 2017	1,948	1,177	3,180	33,680	4,614	44,599
Charge for the year	146	64	61	1,700	84	2,055
Disposals	-	(11)	(17)	(1,291)	(37)	(1,356)
At 31 December 2017	2,094	1,230	3,224	34,089	4,661	45,298
Charge for the year	146	55	52	1,604	91	1,948
Disposals	-	-	(37)	(225)	-	(262)
At 31 December 2018	**2,240**	**1,285**	**3,239**	**35,468**	**4,752**	**46,984**
Net book value						
At 31 December 2018	**567**	**189**	**328**	**4,342**	**161**	**5,587**
At 31 December 2017	713	203	400	4,052	238	5,606

Included in fixed assets above are plant and machinery leased on operating leases to third parties at an original cost of £28,231,000 (2017: £28,229,000) less accumulated depreciation of £25,748,000 (2017: £25,746,000)

Included in fixed assets above are vehicles and office equipment leased on finance leases at an original cost of £119,000 (2017: £138,000) less accumulated depreciation of £78,000 (2017: £41,000).

Lease rentals amounting to £2,326,000 (2017: £2,385,000) relating to the leasing of premises and vehicles are included in the income statement.

Notes to the financial statements
for the year ended 31 December 2018 (continued)

10 Investments

	31 December 2018 £'000	31 December 2017 £'000
Interest in group undertakings :		
At January 1	-	-
Investments in subsidiaries	-	2,500
Investments eliminated on hive-up	-	(2,500)
At 31 December	**-**	**-**

The assets and liabilities of all subsidiary companies are now fully hived-up to the parent and so it is appropriate to write down the investment in the legacy entities.

The Company owns the entire share capital as shown below of the following entities, all of which were non-trading as at 31 December 2018:

	Registered in	Share Class Ownership
Kafevend Holdings Ltd	England	Ordinary 100%, Deferred 100%
Kafevend Group Ltd	England	Ordinary 100%
Garraways Ltd	England	Ordinary 100%
The Shakespeare Coffee Company Ltd	England	Ordinary 100%
Hydropure Distribution Ltd	England	Ordinary 100%
Pure Choice Watercoolers Ltd	England	Ordinary 100%
Water Coolers (Scotland) Ltd	Scotland	Ordinary 100% Preference 100%
Old WCS (Bottlers) Ltd	Scotland	Ordinary 100%

Each of the subsidiary companies registered in England has its Registered Office at Unit D, Fleming Centre, Fleming Way, Crawley RH10 9NN. The subsidiary companies registered in Scotland have their Registered Office at 3 Livingstone Boulevard, Blantyre, G72 0BP

11 Deferred income tax asset

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	To be recovered after more than 12 months	To be recovered within 12 months	31-Dec 2018 £'000	31-Dec 2017 £'000
Deferred tax assets:				
on accelerated capital allowances and temporary timing differences	677	229	906	386
on tax losses carried forward	133	-	133	618
			1,039	1,004
Deferred tax liabilities:				
on customer portfolios and trademarks	(54)	27	(27)	(491)
			(27)	(491)
Deferred tax assets (net)			**1,012**	**513**

The gross movement on the deferred income tax account is as follows:

	2018 £'000	2017 £'000
At 1 January	**513**	**127**
Income statement credit	**499**	**432**
Liability transferred in	**-**	**(46)**
At 31 December	**1,012**	**513**

12 Inventories

	31 December 2018 £'000	31 December 2017 £'000
Finished goods	**1,664**	1,562

The cost of inventories recognised as an expense by the Company and included in cost of sales amounted to £14,476,000 (2017: £14,691,000).

13 Trade and other receivables

	31 December 2018 £'000	31 December 2017 £'000
Current		
Trade receivables	7,159	8,065
Less: provision for impairment of receivables	(271)	(445)
Trade receivables – net	6,888	7,620
Receivable from group undertakings	4,129	4,129
Prepayments	794	1,380
Accrued income	162	191
Tax receivable	368	-
Other receivables	198	233
	12,539	13,553

Receivables from group undertakings are unsecured, repayable on demand and bear no interest. Trade receivables are non-interest bearing and are generally on 30 or 60 day terms.

Movement on provision for impairment of trade receivables

	2018 £'000	2017 £'000
Provision at beginning of the year	445	229
New provisions in the year	188	463
Provisions utilised in the year	(362)	(247)
Provision at end of the year	271	445

There is no significant difference between the net book amount and the fair value of current trade and other receivables due to their short term nature. The carrying amounts of the company's trade and other receivables are all denominated in £ sterling.

14 Cash and cash equivalents

	31 December 2018 £'000	31 December 2017 £'000
Cash at bank and on hand	365	234

15 Creditors

	31 December 2018 £'000	31 December 2017 £'000
Amounts falling due within one year		
Trade payables	**1,453**	2,616
Taxation and social security	**1,222**	1,177
Other payroll accruals	**580**	599
Amounts owed to group undertakings	**4,878**	3,428
Amounts owed to parent undertakings	**29,427**	32,864
Customer deposits	**588**	429
Deferred income	**1,446**	1,396
Amounts payable under Finance Leases	**31**	57
Other creditors	**2**	52
Accrued expenses	**2,810**	1,982
	42,437	44,600
Amounts falling due after more than one year		
Amounts payable under Finance Leases	**1**	29
	42,438	29

The amounts owed to group undertakings are unsecured, repayable on demand and bear no interest. Amounts owed to parent undertakings are repayable on demand and bear interest at 5.7% (2017: 5.7%). There is no significant difference between the net book amount and the fair value of current trade and other payables due to their short term nature.

16 Retirement benefit obligations

The Company operates defined contribution retirement benefit plans for all qualifying employees of Eden Springs UK Limited. The assets of the plans are held separately from those of the Company in funds under the control of trustees. Where employees leave the plans prior to full vesting of the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

The total expense recognised in the statement of comprehensive income of £341,000 (2017: £343,000) represents contributions payable to these plans by the Company at rates specified in the rules of the plans. As at 31 December 2018, contributions of £52,000 (2017: £46,000) due in respect of the 2018 reporting year had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting year.

17 Called up Share Capital

	31 December 2018 £'000	31 December 2017 £'000
Allotted, called up and fully paid		
25,942,237 (2017: 25,942,237) ordinary shares of £1 each	**25,942**	25,942

18 Guarantees and other financial commitments

a) Lease commitments

The Company had commitments under non-cancellable operating leases. Future minimum rentals payable under these leases are as follows:

At 31 December 2018

	Property	Vehicles, plant & equipment	Total
	£'000	£'000	£'000
Not later than one year	598	750	1,348
Later than one year and not later than five years	1,272	990	2,262
Later than five years	246	-	246
	2,116	1,740	3,856

At 31 December 2017

	Property	Vehicles, plant & equipment	Total
	£'000	£'000	£'000
Not later than one year	548	936	1,484
Later than one year and not later than five years	988	1,314	2,302
Later than five years	220	72	292
	1,756	2,322	4,078

The Company had commitments under non-cancellable finance leases. Future minimum rentals payable under these leases are as follows:

At 31 December 2018

	Vehicles, Plant & equipment	Total
	£'000	£'000
Not later than one year	31	31
Later than one year and not later than five years	1	1
	32	32

At 31 December 2017

	Vehicles, Plant & equipment	Total
	£'000	£'000
Not later than one year	57	57
Later than one year and not later than five years	29	29
	86	86

18 Guarantees and other financial commitments (continued)

b) Capital commitments
At 31 December 2018, the Company had no capital expenditure contracted for but not yet incurred (2017: nil).

c) Contingent liabilities
At 31 December 2018, the Company had no contingent liabilities. (2017: nil).

19 Controlling Parties

The immediate parent undertaking is Eden Springs Nederland B.V.

The ultimate parent undertaking and controlling party is Cott Corporation, registered in Canada, whose principal corporate offices are located at 4221 West Boy Scout Boulevard, Suite 400, Tampa, Florida 33607, USA.

The parent undertaking of the largest group to consolidate these financial statements is Cott Corporation. Copies of the Cott Corporation consolidated financial statements can be obtained at www.cott.com or from its registered office at 1200 Britannia Road East, Mississauga, Ontario L4W 4T5, Canada.

20 Acquisition and hive-up

On 7 April 2017 the Company acquired the entire share capital of Water Coolers (Scotland) Limited and its subsidiary Old WCS (Bottlers) Limited for a consideration of £2,500k, of which £284k was paid to settle loans and other liabilities, leaving £2,216k payable to shareholders.

On 1 June 2017 the business and assets of Water Coolers (Scotland) Limited and its subsidiary Old WCS (Bottlers) Limited were transferred to Eden Springs UK Limited under a Hive-Up Agreement between the companies. The transaction was accounted for using a Purchase Price Adjustment, based on predecessor accounting values of the assets and liabilities. This was possible due to the common control of the two companies.

The assets transferred into the Company balance sheet at the hive-up comprised:

	£'000
Tangible Fixed Assets	315
Customer Portfolios	1,816
Goodwill	369
	2,500

Since that date Water Coolers (Scotland) Limited and its subsidiary Old WCS (Bottlers) Limited have not traded.