

Company Registration No. SC067339 (Scotland)



**HIGHLAND SPRING LIMITED**  
**ANNUAL REPORT AND FINANCIAL**  
**STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

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# HIGHLAND SPRING LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	L Montgomery M M Altajir K M Altajir M Altajir
<b>Secretary</b>	L Montgomery
<b>Company number</b>	SC067339
<b>Registered office</b>	Stirling Street Blackford Perthshire United Kingdom PH4 1QA
<b>Auditor</b>	Johnston Carmichael LLP 227 West George Street Glasgow G2 2ND

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# **HIGHLAND SPRING LIMITED**

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# HIGHLAND SPRING LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2022

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The directors present the strategic report for the year ended 31 December 2022.

#### Overview of business performance and strategy

During 2022, Highland Spring again extended its position as the UK's leading natural source water brand against a backdrop of rapidly rising market inflation, extreme heat waves, and general economic uncertainty, which created challenges across the market. The business, despite this backdrop, demonstrated the strength of the Highland Spring brand and its operational resilience to again grow market share. A focus on growing the Highland Spring brand continues to be the main priority of the business, with increased emphasis on expanding the business's portfolio of products and packaging formats, ensuring this is achieved in an environmentally sustainable manner. 2022 saw the second full year of sales for the new Highland Spring flavoured cans and saw the successful expansion of the Hydration pack range into a new 5 litre size.

Despite a challenging 2022, we remain confident in our long-term approach of continuing to promote the provenance of our brand, providing category leading expertise, focusing on environmental sustainability and ensuring overall value creation as the wider economy and the bottled water category continue to face a period of economic uncertainty and significant inflationary pressures.

#### In summary

- Highland Spring extended its position as the UK's No.1 brand in 2022 (source: Zenith 2022);
- Still plain water retail volumes grew by 2.6% in 2022. Highland Spring brand grew still volume by 10.7%, up 20.4m litres. Highland Spring retained its position as no. 1 Plain Still Water Brand with share of volume growing from 12.7% in 2021 to 13.7% in 2022. Annual UK sales of the Highland Spring brand are now 400.7m litres, up from 357.7m litres in 2021;
- Sparkling plain water volumes within core retail channels fell by 4.2% in 2022, driven by CO2 shortages across the market and poor performances in retailers' own label. Sparkling's share of total water in retail channels dropped from 15.3% of plain packaged water in 2021 to 14.4% in 2022. Within that, Highland Spring retained its position as the no.1 Plain Sparkling Water brand, with 15.5% share of the category, up from 15.4% in 2021 (source: Nielsen 52wks to 31.12.2022);
- In 2022, Highland Spring brand UK sales volumes grew by 7.9% (against a category growth of 1.6%) to secure 13.9% volume share of the total UK plain packaged water, up from 13.1% in 2021 (source: Nielsen 52wks to 31.12.2022).

In 2022, the business made an underlying operating profit from continuing activities before non-trading administration costs and other operating income of £4,485k. The business has recovered from the COVID pandemic, however the inflationary pressures following the invasion of Ukraine for both the business and the wider economy continues to impact consumer demand. The business has continued to take steps to improve operational efficiencies and reduce overhead costs under continuous improvement plans.

Environmental sustainability remains at the heart of all business activities and the group continues to move forward with key projects. This includes the completion and commissioning of a rail siding adjacent to our Highland Spring facility in Perthshire enabling the group to move goods in a more environmentally sustainable way, taking 8,000 HGV movements a year off the roads and reducing its carbon footprint by 3,200 tonnes. Alongside this, the business was again Carbon Neutral in 2022 (scope 1 & 2 market-based emissions) with a stated ambition to reduce Carbon Emissions by 50% by 2030 and to be Net Carbon Zero by 2040.

The business will continue to drive forward its long-term strategy to invest in and develop innovative solutions which provide healthy hydration in an environmentally sustainable way, to reflect the markets projected annual growth which, according to Zenith, is expected to accelerate from 2022 to 2024 as the economy recovers from the COVID pandemic and the economic slowdown following the invasion of Ukraine.

# HIGHLAND SPRING LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2022**

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### Category and brand performance

Total retail volumes sales of UK packaged plain water grew in 2022 +1.6% vs 2021 (source: Nielsen 52wks to 31.12.2022). Total retail market volumes in 2022, were ahead of pre-pandemic levels and at their highest levels since 2018. The majority of the growth in packaged plain water in 2022 came from Branded water products +3.7%, which accounted for 62.1% of retail market volume. Plain still water drove overall category growth, with volume sales up 2.6% vs 2021. Plain sparkling water sales fell in 2022 vs 2021, down 4.2%, driven by Own Label sparkling water (Source: Nielsen 2022). Branded Sparkling plain water grew volume by 0.3% in 2022 vs 2021.

Good weather over the summer of 2022 helped to drive new shoppers into the water category, however, the market was challenged by significant supply issues from some of the largest water brands. Highland Spring benefited by filling many of these gaps for retailers, growing retail sales and gaining new shoppers. Highland Spring UK household penetration rose to 15.9% from 15.2% in 2021 (Kantar)

Highland Spring group reported UK sales of 504.15Mn Litres, of which plain unflavoured water accounted for 497.4Mn Litres, an increase of 2.9% vs 2021. Sales performance in 2022 was predominantly driven by four key factors:

- Continued strength in the Highland Spring brand resulting in branded sales growth;
- Multiple cost price increases across the market to combat rising costs;
- Very low levels of promotions run across the market in 2022, in order to ensure supply to trade customers; and
- Supply challenges across the market due additional bank holidays, extreme weather spikes, and rising costs.

Central to the group's strategy is the continued development and growth of the Highland Spring brand. During 2022 the group was proud to see continued strong growth, as the brand performed very well to retain and extend its position as the UK's No. 1 plain bottled water brand with a healthy retail market volume share of 15.4% (source: Nielsen 2022).

# HIGHLAND SPRING LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **Business activities**

The business is committed to reducing its carbon footprint and impact on the planet, and in 2022 completed and commissioned a new rail freight facility in Blackford, Perthshire which supports our ambition to reach net zero carbon emissions by 2040. The project is Scotland's first dedicated rail freight facility in over a decade and was officially opened by the former First Minister of Scotland, Rt Hon Nicola Sturgeon MSP in August 2022. It has been in full operation since January 2023 and will offer long-term environmental benefits through the removal of 8,000 HGV movements from the road, saving 3,200 tonnes of CO<sub>2</sub> every year. 40% of the water supplied from our main bottling plant in Blackford will now be transported by train with the equivalent reduction in road miles from the volume through the facility being 2.7 million miles per annum. Highland Spring group is committed to being a considerate neighbour and sensitively designed the facility to minimise the noise and visual impact on the community. The number of HGVs travelling through the village of Blackford will be reduced with each train equivalent to 22 HGV's. This project is an excellent example of partnership working between the rail industry, government and business which will provide wider benefits to the Scottish environment and economy.

Highland Spring group will work towards a 50% reduction in our product footprint by 2030. We also commit to reduce absolute scope 1, 2 and 3 Greenhouse Gas emissions by 90% versus a 2019 baseline and reach net zero by 2040. This is five years ahead of the Scottish Government's proposed 2045 target, and 10 years ahead of the UK Government's target. We are the UK's first natural source water companies to have a validated target in line with Science Based Target Initiative (SBTi) Net-Zero Standard.

While our efforts continue to focus on long-term permanent reduction of carbon emissions to make a positive impact now, as part of our ongoing commitment to maintain our carbon neutrality status, the Carbon Trust has certified the company as carbon neutral across our UK operations (scope 1 & 2 market-based emissions and scope 3 business travel) for 2020 and 2021. In addition, all our electricity is supplied from 100% renewable sources and all sites are zero to landfill. Additionally, we are exploring investments in renewables and planning has been approved for a solar farm on land relatively close to our site in Blackford, which means any generation could be fed via a private wire connection in the future.

The group continued its focus on innovation by exploring new sustainable packaging formats and reducing the amount of packaging we use. Since our baseline period of 2015, we have reduced the weight of our small bottles by 30% and have plans to reduce the weight of our larger bottle formats as we ensure we continually look to achieve the lowest weight possible whilst still providing the security and strength in use that our consumers look for and expect.

All Highland Spring bottles and cans are 100% recyclable, and we were the first brand to introduce a range made from 100% recycled plastic (cap and label excluded), which we expanded across more of our bottle formats in 2022. All our bottles contain a minimum of 30% recycled materials, and we have an ambition to reach 100% recycled plastic content (excluding caps and labels) across our entire range in the future. We are taking a holistic approach to packaging sustainability and following our category-leading trial of 100% recycled materials (rLDPE) in shrink wrap, this continues to be rolled-out further across our range.

Working towards a truly circular economy, the group supports the aims of a well designed Deposit Return Scheme (DRS) and sees this as a crucial way of increasing recycling rates, reducing litter and increasing the availability of good quality recycled materials for us to use in our products. Through collaboration with other members we will work to achieve the 90% recycle rate target for the overall member of PET, metal and glass containers collected by the Scottish scheme by year 2 of the go live date.

The newest additions to our product range continue to perform well including flavoured cans which are infinitely recyclable (source: Alupro), and our 10 litre and 5 litre Hydration Packs, both of which keep fresh for up to four weeks once opened and offer a refill solution to consumers in or out of the home.

The group continues to be proactive in our work to encourage consumers to recycle their Highland Spring bottles and cans through recycling messaging on our packaging, through social media and via our partnership with environmental charity Hubbub. The '#InTheLoop' initiative encourages recycling-while-on-the-go across UK local authorities including in Leeds, Swansea, Edinburgh and Telford & Wrekin, and expanded into Lambeth in 2022. The initiative aims, to reduce litter and encourage the careful and responsible disposal of used products. To date over 3.5 million plastic/glass bottles and cans have been collected as part of this campaign. We also continued our annual support of the charity WRAP's (Waste and Resources Action Plan) national Recycle Week campaign, promoting recycling messages across our social media channels, and as a member of our trade association the Natural Source Waters Association, who were a primary sponsor in 2022.

# HIGHLAND SPRING LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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### Business activities (continued)

At the end of 2022, The Good Shopping Guide named Highland Spring the leading ethical bottled water brand in the UK for the fifteenth year in a row. We continue to achieve annual organic accreditation from The Soil Association for our catchment area, which we have held for over 20 years, demonstrating our commitment to responsible land and water stewardship. We abstract no more than 3% of the rain that falls on our catchment, ensuring the long-term sustainability of one of the planet's most valuable resources for generations to come. The creation of a biodiversity programme in partnership with the Forth Rivers Trust charity, aims to support healthy eco-systems and increase flora, fauna and wildlife on our catchment area in The Ochil Hills, Perthshire by 2025. We held two tree planting days with employees in 2022 to support this project.

The business continues to support the Scottish Ambulance Service with over 200,000 bottles of water donated to their crews to date, to ensure they stay healthily hydrated as they go about their critical work. Through our partnership with Launch Foods we provide quantities of water to disadvantaged children in Glasgow after school and in the school holidays. We are an active member of the charity GroceryAid who provide emotional, practical and financial support to employees in the food and drink industry.

### Financial performance

In 2022, in spite of significant economic and inflationary headwinds, the group reported an improved trading year, with consumer buying patterns continuing to recover from COVID impacted levels in 2020 and 2021:

We have reported full year operating profit from continuing activities before non-trading administration costs and other operating income for the year of £4,485k, which is £1,049k higher than 2021. This demonstrates the group's ability to proactively respond to a crisis, delivered against a backdrop of economic uncertainty following the invasion of Ukraine and significantly increasing costs, and reflects a high level of resilience and agility. Whilst the group faced the same macro-economic challenges with inflation and labour shortages as others, we have looked to optimise our own business through stronger management of commercial activity and investment in capital expenditure to gain greater operational efficiencies. The group worked collaboratively with its customers and logistics partners during this period and customer service levels held up well against industry benchmarks which enabled the group to deliver a strong sales performance in the second half of the year. The business continued to take early proactive decisions and actions as well as the continued and ongoing work to drive improved efficiencies which carried on from 2020 and 2021.

The group has achieved this through the following:

- Investments in additional production capacity to enable the expansion of the group's product portfolio;
- Significant operational efficiencies across both manufacturing and supply chain; and
- Reductions in discretionary spend across both volume and non-volume related costs;

During 2022, following the invasion of Ukraine, we saw significant inflationary increases in raw material prices and distribution and utility costs. Whilst we expect inflation to slow in 2023 we anticipate further cost increases with increases in suppliers' utility costs, as their forward cover expires, offsetting expected commodity price reductions, as well as increased costs from increases in the National Living Wage and from the introduction of a Deposit Return Scheme in Scotland. The business has successfully delivered commercial initiatives and continues to explore other options to reduce the impact of these inflationary pressures.

In June 2022 the group completed a re-financing process to ensure suitable funding levels are maintained, covering both short and medium-term. The refinance provides the business with adequate levels of funding to meet its growth aspirations over the financing period. These facilities total £54.3m and are in place for a minimum period of 3 years. These facilities, comprise £26.3m Asset Based Lending facilities, £25m Term Loan and £3m RCF (revolving credit facility). This will provide the required headroom for the business' strategic objectives.

The directors are confident of the continued success both of the core brand and the broader portfolio of products the group supplies.

# HIGHLAND SPRING LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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### Financial performance

The principal risks and uncertainties affecting the business include the following:

- **Environmental risks:** the group places considerable emphasis upon environmental compliance in each area of its business and not only seeks to ensure ongoing compliance with relevant legislation but also strives to ensure that environmental best practice is incorporated into its key processes. The Company is registered with the Eco-Management and Audit scheme (EMAS), which aims to "recognise and reward those organisations that go beyond minimum legal compliance and continuously improve their environmental performance";
- **Debtors:** the group maintains strong relationships with each of its key customers and has established credit control parameters. Appropriate credit terms are agreed with all customers and these are closely managed. In addition, the group maintains credit insurance in relation to higher risk customers;
- **Major disruption/disaster:** business continuity planning is reviewed regularly. The group runs its own "Risk Management" programme whilst retaining external specialists on PR and industry matters to support the in-house skills;
- **The effect of legislation or other regulatory activities:** the group monitors forthcoming and current legislation regularly;
- **Foreign currency exchange:** the group monitors closely short, medium and long term exchange rates and has a policy of, where possible, employing a natural hedge of matching currency receipts against currency payments. Where there is no natural hedge the group also enters forward exchange contracts where appropriate to reduce risk;
- **Raw material availability and prices:** the group monitors raw material sources on a global basis and negotiates forward purchase contracts where appropriate on raw materials, utility costs and Packaging Recovery Notes. Raw material prices in particular again increased significantly in 2022 mainly due to market increases in PET and up-stream utility costs, however the group's utility costs were largely hedged in the year;
- **IP management:** all appropriate measures are taken to protect the group's intellectual property rights and to minimise the risk of infringement by third party rights. This includes the retention of external specialist IP lawyers to protect the group's intellectual property rights;
- **Competitive risk:** the group operates in highly competitive markets. The wide range of customers and sectors that the group operates in reduces the possible effect of action by a single competitor;
- **Deposit Return Scheme:** the group supports the introduction of Deposit Return Schemes across the UK, with the introduction of a Scottish Scheme now expected to be implemented on 1st March 2024. The group will monitor the impact on costs and consumer demand and implement mitigating actions as required;
- **Funding risk:** the group is funded by a combination of bank facilities and inter group loans. Adequacy of available facilities and compliance with relevant covenant tests is monitored on an ongoing basis;
- **Political risk:** the UK's exit from membership of the European Union has resulted in greater economic uncertainty and foreign exchange rate volatility, and has affected the fiscal, monetary, legal and regulatory landscape to which the group's operations are subject, as well as increasing the possibility of another referendum on the question of Scottish independence from the UK. The group remains politically neutral and carefully monitors developments to enable it to respond to whatever decision is reached. The group has limited exports to mainland Europe and is not exposed to any material risk to sales revenues; and
- **COVID-19:** The pandemic has increased the likelihood and/or potential impact of our risk portfolio, and whilst this risk has reduced significantly the group continues to monitor the risk and implement mitigating actions as required.



# HIGHLAND SPRING LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### Financial performance (continued)

Key financial performance indicators include the monitoring of the management of profitability and working capital.

Key non-financial performance indicators include the monitoring of our employees' health and safety in addition to the group's environmental impact and energy consumption.

Ratio	2022	2021	Measure
<b>Financial</b>			
Return on capital	18%	11%	Profit before tax/net assets
Gross profit percentage **	37%	40%	Gross profit/turnover
Turnover per employee (£000) **	283	259	Turnover/average number of employees
Operating profit per employee (£000) **	12.6	9.5	Operating profit/average number of employees
<b>Non-financial</b>			
Reportable accidents per employee	0.002	0.008	Reportable accidents/average number of employees
% rainfall on catchment area bottled	<3%	<3%	Litres Bottled/Annual rainfall in boreholes catchment area
UK sales of the Highland Spring Brand (millions of litres)	400.7	357.7	Litre sales of Highland Spring Brand

\*\* From continuing operations and before non-trading costs

### Section 172 Statement

The directors are aware of their duty to promote the success of the company. Set out below are the issues, factors and stakeholders the directors consider relevant in complying with s172 (1) (a) to (f) and how the directors have come to that opinion.

- Long Term Strategy:** The principal asset of the business is the lease of the Boreholes which are on land owned by the ultimate parent company. The long-term strategy of the business is to leverage benefits from that asset. Further details of how that is being achieved are addressed in the Business Review and Performance sections of the Strategic Report.
- Employees:** The business is committed to engagement with its employees. Through the internal website, 'The Source', there are weekly staff updates alongside frequent live streamed virtual Town Hall where employees are able to connect and to submit questions and ideas. We have held a number of onsite all-employee communication events, we have relaunched our employee newsletter and will re-instate our employee-led forum meetings in the forthcoming period.
- Relationships with Customers, Suppliers and Others:** The business primarily deals with UK retailers with whom it has close relationships in areas such as pricing and promotions. It also holds to the retailer policies and procedures and is regularly audited by them. There are a number of key suppliers to whom UK retailer policies and procedures are flowed down. As set out in the Strategic Report, the group is at the forefront of the Industry through Industry Associations and contact with Government.
- Community and the Environment:** The Strategic Report deals with the actions taken by the business in relation to plastic use. Other environmental actions include investment in a railway siding which will significantly reduce traffic in the community and vehicle emissions, and research into cleaner energy and alternative packaging.
- Business Conduct:** The business is committed to a high level of business conduct. The Bribery Act 2010 has been rolled out to all employees who have received relevant coaching and training. The 2015 Modern Slavery Act imposes condition on the business and its Supply Chain: the business has taken steps to ensure it is compliant with this.
- Shareholders:** The Al Tajir family own the ultimate parent company and members of the family are Directors of the Company.

# HIGHLAND SPRING LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2022**

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On behalf of the board



L Montgomery  
Director

Date: 28 April 2023

# HIGHLAND SPRING LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2022

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

#### Principal activities

The principal activity of the company and group continued to be the bottling and sale of natural source waters, both branded and private label.

#### Results and dividends

The results for the year are set out on page 16.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

#### Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

L Montgomery  
M M Altajir  
K M Altajir  
M Altajir

#### Future developments

The company has chosen in accordance with Companies Act 2006, s.414C(11) to set out in the company's strategic report information required by Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has been done so in respect of future developments.

#### Disabled persons

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

#### Employee involvement

The group's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

#### Finance

The group is funded through a combination of bank facilities and inter group loans. Adequacy of facilities and compliance with relevant covenant tests are monitored on an ongoing basis.

In June 2022 the group completed a re-financing process to ensure suitable funding levels are maintained, covering both short-term working capital requirements and the capital investment ambitions of the business in its five-year plan. The refinance provides the business with adequate levels of funding to meet its growth aspirations over the financing period. The facilities total £54.3m, comprising £26.3m Asset Based Lending facilities, £25m Term Loan and £3m RCF (revolving credit facility) and are in place for a minimum period of 3 years.

Having regard to the group's exceptional performance in 2022 and its positive start to 2023 and in spite of the challenging economic environment, the directors have reviewed the group's forecasts taking account of reasonable possible changes in trading performance and are satisfied that the group is well placed to manage its financial position for the foreseeable future. This reflects the business's greater resilience, flexibility and agility and the directors are confident that the business will continue to respond to the ongoing trading challenges.

# HIGHLAND SPRING LIMITED

## DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### Charitable donations

During the year, the company made donations of £217k (2021: £216k) to the Altajir Trust.

#### Auditor

Johnston Carmichael LLP were appointed as auditor to the group during the year and are deemed to be reappointed under section 487(2) of the Companies Act 2006.

#### Energy and carbon report

The group's annual UK energy use (MWh) were as follows:

		2022		2021		UoM
Energy Consumption		23,886		23,867		MWh
Scope	Emission Source	Location-based	Market-based	Location-based	Market-based	
Scope 1	Natural Gas	15.3	15.3	19.8	19.8	
Scope 1	Gas Oil	170.2	170.2	211.6	211.6	
Scope 1	Transportation	398.4	398.4	389.2	389.2	
Scope 1	Refrigerants	0	0	51.45	51.45	
Scope 2	Electricity	4,603	0	5,045	0	
Scope 3	Business Travel	57.7	57.7	15.4	15.4	
	<b>Total</b>	<b>5,244.6</b>	<b>641.6</b>	<b>5,732.2</b>	<b>687.5</b>	
Emissions Intensity Ratio		10.3		11.5		

#### Methodology

An operational control approach was used to define the Greenhouse Gas emissions boundary. The emissions reported reflect the organisational footprint of the business within the UK i.e. the emissions from the UK operation of all buildings plus company-owned and leased transport and business travel.

The information was collected and reported in line with the methodology set out in the UK Government's Environmental Reporting Guidelines. Emissions have been calculated using the latest conversion factors provided by the UK Government and there are no material omissions from the mandatory reporting scope.

Scope 2 emissions from purchased electricity have been measured using both a location-based approach and market-based approach. The market-based approach enables the group to report zero emissions reflecting renewable electricity contracts in place for electricity purchased. The energy consumption (MWh) detailed in the table above includes electricity and natural gas.

Highland Spring group achieved carbon neutrality for their UK Operations in accordance with PAS 2060 for the period commencing 1 January 2022. For the group's claim of carbon neutrality, scope 1 (direct emissions) and scope 2 (indirect electricity emissions) and scope 3 (business travel) have been measured and verified by the Carbon Trust.

The group commits to maintain carbon neutrality for its UK Operations in accordance to PAS 2060 for the period 1 January 2023 to 31 December 2023 and is committed to offset residual emissions after incorporating any reductions that have been made through the continued purchase high quality offsets.

#### Energy Efficiency

The group remains committed to improving energy efficiency across all sites.

# HIGHLAND SPRING LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **Energy and carbon report (continued)**

#### *Energy Efficiency*

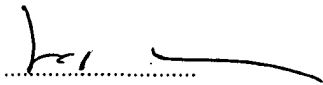
To reduce energy usage, an extensive review was carried out during 2022 to identify a range of energy efficiency opportunities across lighting, equipment, and production processes. For all initiatives identified, the potential units of electricity that could be saved and the cost to implement each initiative was calculated and an implementation plan is underway. Individual metering and energy monitoring systems have now been installed which will provide the business with more granular energy data to support improvements in energy efficiency going forward.

Planning consent for a 7MW solar farm was granted during the year. The potential development would provide the main Blackford site with a proportion of its energy requirements from renewable electricity via a private wire connection and provide wider community benefits.

### **Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board



L Montgomery  
Director

Date: 28 April 2023

# **HIGHLAND SPRING LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 DECEMBER 2022***

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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 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 group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# HIGHLAND SPRING LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF HIGHLAND SPRING LIMITED

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#### Opinion

We have audited the financial statements of Highland Spring Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows and notes to the financial statements, including significant accounting policies. 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).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### 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 responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

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 group or parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

#### 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.

# HIGHLAND SPRING LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF HIGHLAND SPRING LIMITED

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### Opinions on other matters prescribed by the Companies Act 2006

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

- The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

### 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 parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditor responsibilities for the audit of the financial statements

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

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



# HIGHLAND SPRING LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF HIGHLAND SPRING LIMITED

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### *Extent to which the audit is 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 assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and the parent company and the sector in which they operate, focusing on those provisions that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- Companies Act 2006;
- Corporation Tax and VAT legislation;
- UK Generally Accepted Accounting Practice.

We gained an understanding of how the group and the parent company are complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of relevant correspondence with regulatory bodies and board meeting minutes.

We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. We identified a heightened fraud risk in relation to:

- Management override of controls
- Revenue recognition

In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance for reference to: breaches of laws and regulation or for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- Reviewing the level of and reasoning behind the group's procurement of legal and professional services
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias;
- Completion of appropriate checklists and use of our experience to assess the Company's compliance with the Companies Act 2006; and
- Agreement of the financial statement disclosures to supporting documentation.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

# HIGHLAND SPRING LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF HIGHLAND SPRING LIMITED

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### Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*J. G. Marjoribanks*

Jeffrey Marjoribanks (Senior Statutory Auditor)  
For and on behalf of Johnston Carmichael LLP

Date: 01 / 05 / 2023

Chartered Accountants  
Statutory Auditor

227 West George Street  
Glasgow  
G2 2ND

# HIGHLAND SPRING LIMITED

## GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £000	2021 £000
Turnover	3	113,101	94,140
Cost of sales		(71,048)	(56,904)
<b>Gross profit</b>		<b>42,053</b>	<b>37,236</b>
Distribution costs		(29,869)	(25,239)
Administrative expenses		(7,699)	(8,561)
Other operating income	3	992	-
Administrative expenses - non-trading costs	4	(423)	(779)
<b>Operating profit</b>	<b>4</b>	<b>5,054</b>	<b>2,657</b>
Interest receivable and similar income	8	266	124
Interest payable and similar expenses	9	(3,793)	(2,076)
<b>Profit before taxation</b>		<b>1,527</b>	<b>705</b>
Tax on profit	10	767	(436)
<b>Profit and total comprehensive income for the financial year</b>	<b>26</b>	<b>2,294</b>	<b>269</b>

Profit for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

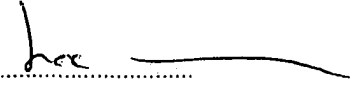
# HIGHLAND SPRING LIMITED

## GROUP BALANCE SHEET

AS AT 31 DECEMBER 2022

		2022		2021 as restated	
	Notes	£000	£000	£000	£000
<b>Fixed assets</b>					
Goodwill	11		397		452
Tangible assets	12		42,521		43,192
			<u>42,918</u>		<u>43,644</u>
<b>Current assets</b>					
Stocks	16	8,322		5,564	
Debtors	17	28,757		21,672	
Cash at bank and in hand		1,201		4,178	
		<u>38,280</u>		<u>31,414</u>	
<b>Creditors: amounts falling due within one year</b>	18	(34,123)		(62,696)	
<b>Net current assets/(liabilities)</b>			<u>4,157</u>		<u>(31,282)</u>
<b>Total assets less current liabilities</b>			<u>47,075</u>		<u>12,362</u>
<b>Creditors: amounts falling due after more than one year</b>	19		(31,851)		-
<b>Provisions for liabilities</b>					
Deferred tax liability	22	2,206	(2,206)	2,639	(2,639)
<b>Government grants</b>	23		(4,468)		(3,467)
<b>Net assets</b>			<u>8,550</u>		<u>6,256</u>
<b>Capital and reserves</b>					
Called up share capital	25		10,000		10,000
Profit and loss reserves	26		(1,450)		(3,744)
<b>Total equity</b>			<u>8,550</u>		<u>6,256</u>

The financial statements were approved by the board of directors and authorised for issue on 28 April 2023 and are signed on its behalf by:

  
 L Montgomery  
 Director

# HIGHLAND SPRING LIMITED

## COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2022

		2022		2021	
	Notes	£000	£000	as restated £000	£000
<b>Fixed assets</b>					
Goodwill	11		397		452
Tangible assets	12		42,478		43,159
Investments	13		301		301
			<u>43,176</u>		<u>43,912</u>
<b>Current assets</b>					
Stocks	16	8,321		5,564	
Debtors	17	28,744		21,555	
Cash at bank and in hand		1,191		4,168	
		<u>38,256</u>		<u>31,287</u>	
<b>Creditors: amounts falling due within one year</b>	18	<u>(34,335)</u>		<u>(62,767)</u>	
<b>Net current assets/(liabilities)</b>			<u>3,921</u>		<u>(31,480)</u>
<b>Total assets less current liabilities</b>			<u>47,097</u>		<u>12,432</u>
<b>Creditors: amounts falling due after more than one year</b>	19		(31,851)		-
<b>Provisions for liabilities</b>					
Deferred tax liability	22	<u>2,206</u>	(2,206)	<u>2,639</u>	(2,639)
<b>Government grants</b>	23		<u>(4,468)</u>		<u>(3,467)</u>
<b>Net assets</b>			<u>8,572</u>		<u>6,326</u>
<b>Capital and reserves</b>					
Called up share capital	25		10,000		10,000
Profit and loss reserves	26		<u>(1,428)</u>		<u>(3,674)</u>
<b>Total equity</b>			<u>8,572</u>		<u>6,326</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £2,246k (2021 - £201k loss).

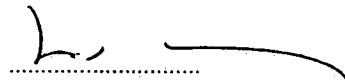
# HIGHLAND SPRING LIMITED

## COMPANY BALANCE SHEET (CONTINUED)

**AS AT 31 DECEMBER 2022**

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The financial statements were approved by the board of directors and authorised for issue on 28 April 2023 and are signed on its behalf by:



L Montgomery  
Director

**Company Registration No. SC067339**

# HIGHLAND SPRING LIMITED

## GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

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	Share capital	Profit and loss reserves	Total
	£000	£000	£000
Balance at 1 January 2021	10,000	(4,013)	5,987
	<hr/>	<hr/>	<hr/>
Year ended 31 December 2021:			
Profit and total comprehensive income for the year	-	269	269
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2021	10,000	(3,744)	6,256
	<hr/>	<hr/>	<hr/>
Year ended 31 December 2022:			
Profit and total comprehensive income for the year	-	2,294	2,294
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2022	10,000	(1,450)	8,550
	<hr/>	<hr/>	<hr/>

# HIGHLAND SPRING LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

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	Share capital	Profit and loss reserves	Total
	£000	£000	£000
Balance at 1 January 2021	10,000	(3,473)	6,527
Year ended 31 December 2021:			
Loss and total comprehensive expenditure for the year	-	(201)	(201)
Balance at 31 December 2021	10,000	(3,674)	6,326
Year ended 31 December 2022:			
Profit and total comprehensive income for the year	-	2,246	2,246
Balance at 31 December 2022	10,000	(1,428)	8,572

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# HIGHLAND SPRING LIMITED

## GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

		2022	2021
	Notes	£000	as restated £000
<b>Cash flows from operating activities</b>			
Cash generated from operations	33	2,850	8,871
Income taxes (paid)/refunded		(49)	606
<b>Net cash inflow from operating activities</b>		<u>2,801</u>	<u>9,477</u>
<b>Investing activities</b>			
Purchase of tangible fixed assets		(3,785)	(3,357)
Grant funding received toward tangible fixed assets		<u>1,001</u>	<u>393</u>
<b>Net cash used in investing activities</b>		<u>(2,784)</u>	<u>(2,964)</u>
<b>Financing activities</b>			
Loans to parent undertaking		-	(2,474)
Interest received		-	89
Interest paid		(2,451)	(1,681)
Other finance costs paid		-	(2)
Repayment of bank loans		(21,796)	(194)
Repayment of loans to related parties		(2,000)	-
Proceeds from other loans and borrowings		29,954	-
Payment of finance leases obligations		<u>(6,701)</u>	<u>(1,641)</u>
<b>Net cash used in financing activities</b>		<u>(2,994)</u>	<u>(5,903)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(2,977)</u>	<u>610</u>
Cash and cash equivalents at beginning of year		<u>4,178</u>	<u>3,568</u>
<b>Cash and cash equivalents at end of year</b>		<u><u>1,201</u></u>	<u><u>4,178</u></u>

# HIGHLAND SPRING LIMITED

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

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### 1 Accounting policies

#### Company information

Highland Spring Limited ("the company") is a private limited company domiciled and incorporated in Scotland. The registered office is Stirling Street, Blackford, Perthshire, United Kingdom, PH4 1QA.

The group consists of Highland Spring Limited and all of its subsidiaries.

#### 1.1 Accounting convention

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

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £000.

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

The 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 for parent company information presented within the consolidated financial statements:

- 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: Interest income/expense and net gains/losses for financial instruments not measured at fair value; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

#### 1.2 Basis of consolidation

The consolidated group financial statements consist of the financial statements of the parent company Highland Spring Limited together with all entities controlled by the parent company (its subsidiaries).

All financial statements are made up to 31 December 2022. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Subsidiaries are consolidated in the group's financial statements from the date that control commences until the date that control ceases.

Entities other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence, are treated as associates.

# HIGHLAND SPRING LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

---

#### 1 Accounting policies

(Continued)

Investments in associates are carried in the group balance sheet at cost plus post-acquisition changes in the group's share of the net assets of the entity, less any impairment in value. The carrying values of investments in associates include acquired goodwill where applicable.

If the group's share of losses in an associate equals or exceeds its investment in the associate, the group does not recognise further losses unless it has incurred obligations to do so or has made payments on behalf of the associate.

Unrealised gains arising from transactions with associates are eliminated to the extent of the group's interest in the entity.

#### 1.3 Going concern

The directors' have considered the financial position of the group, including its cash flows, liquidity position and financial projections until the end of 2024. The group is funded through a combination of bank facilities and inter group loans. Adequacy of facilities and compliance with relevant covenant tests are monitored on an ongoing basis.

In June 2022 the group completed a re-financing process to ensure suitable funding levels are maintained, covering both short-term working capital requirements and the capital investment ambitions of the business in its five-year plan. The refinance provides the business with adequate levels of funding to meet its growth aspirations over the financing period. The facilities total £54.3m, comprising £26.3m Asset Based Lending facility, £25m Term Loan and £3m RCF (revolving credit facility) and are in place for a minimum period of 3 years.

Having regard to the group's exceptional performance in 2022 and its positive start to 2023 and in spite of the challenging economic environment, the directors have reviewed the group's forecasts taking account of reasonable possible changes in trading performance and are satisfied that the group is well placed to manage its financial position for the foreseeable future. This reflects the business's greater resilience, flexibility and agility and the directors are confident that the business will continue to respond to the ongoing trading challenges.

#### 1.4 Turnover

Turnover relates to the sale of natural source waters and is recognised at the fair value of the consideration received or receivable for the goods provided, net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates. Settlement discounts and volume rebates are calculated based on the expected amounts necessary to meet the claims of the group's customers in respect of these discounts and rebates.

Turnover is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### 1.5 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 20 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

# HIGHLAND SPRING LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 1 Accounting policies

(Continued)

#### 1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	2%-33% straight line
Long leasehold property	2%-33% straight line
Plant and equipment	2%-33% straight line
Fixtures and fittings	2%-50% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the statement of comprehensive income.

#### 1.7 Fixed asset investments

In the parent company financial statements, investments in subsidiaries and associates are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the associate using the equity method. Any difference between the cost of acquisition and the share of the fair value of the net identifiable assets of the associate on acquisition is recognised as goodwill. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the company has incurred legal or constructive obligations or has made payments on behalf of the associate.

In the parent company financial statements, investments in associates are accounted for at cost less impairment.

#### 1.8 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

# HIGHLAND SPRING LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 1 Accounting policies

(Continued)

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of comprehensive income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income.

#### 1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

The group maintains a stock of maintenance spares to facilitate the timely and orderly execution of ongoing maintenance programmes, as well as emergency repairs, in relation to the group's plant and equipment. Such maintenance spares are recorded at cost, less provisions as are considered necessary by the directors to reflect any obsolescence or relevant parts.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in the statement of comprehensive income. Reversals of impairment losses are also recognised in the statement of comprehensive income.

#### 1.10 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks and bank overdrafts.

#### 1.11 Financial instruments

The group 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 in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and 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 certain debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method. Financial assets classified as receivable within one year are not amortised.

# HIGHLAND SPRING LIMITED

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

### 1 Accounting policies

(Continued)

#### **Impairment of financial assets**

Financial assets 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 the statement of comprehensive income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income.

#### **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 group 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.

#### **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 group after deducting all of its liabilities.

#### **Basic financial liabilities**

Basic financial liabilities, including certain creditors, bank and other loans and loans from fellow group companies, are initially recognised at transaction price. Financial liabilities classified as payable within one year are not amortised.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

### 1.12 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

### 1.13 Taxation

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

#### **Current tax**

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

# HIGHLAND SPRING LIMITED

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

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### 1 Accounting policies

(Continued)

#### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### **1.14 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### **1.15 Retirement benefits**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

#### **1.16 Leases**

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

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to the statement of comprehensive income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### **1.17 Government grants**

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants relating to turnover are recognised as income over the periods when the related costs are incurred. Grants relating to an asset are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

# HIGHLAND SPRING LIMITED

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

### 1 Accounting policies

(Continued)

#### 1.18 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in the statement of comprehensive income within interest receivable or payable.

#### 1.19 Prior period restatement

The prior period group and parent company financial statements have been restated to reflect a presentational correction of government grants received in relation to certain assets under construction. The restatement has resulted in a reclassification of deferred grant income of £3,467k from tangible assets to government grants, presented separately on the face of the group and parent company balance sheet. The presentational restatement has had no impact on the previously reported result, net current assets or net assets of either the group or parent company.

### 2 Judgements and key sources of estimation uncertainty

In the application of the group'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.

#### Key sources of estimation uncertainty

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

#### Promotional and marketing accruals

The extent of promotional and marketing liabilities accrued requires the directors to exercise judgement. In doing so, the directors consider contractual obligations under promotional or other agreements and these are kept under constant review.

At the reporting date the group's liability in respect of promotional and marketing accruals was £3m (2021 - £4.2m).

### 3 Turnover and other revenue

	2022 £000	2021 £000
<b>Turnover analysed by class of business</b>		
Bottling and sale of natural source waters	113,101	94,140



# HIGHLAND SPRING LIMITED

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

<b>3</b>	<b>Turnover and other revenue</b>	<b>(Continued)</b>	
		<b>2022</b>	<b>2021</b>
		<b>£000</b>	<b>£000</b>
	<b>Turnover analysed by geographical market</b>		
	United Kingdom	109,237	91,518
	Rest of Europe (including Channel Islands)	151	158
	Other export markets	3,713	2,464
		<u>113,101</u>	<u>94,140</u>
		<b>2022</b>	<b>2021</b>
		<b>£000</b>	<b>£000</b>
	<b>Other significant revenue</b>		
	Interest income	208	89
	Sundry income	992	-
	Exchange gains	58	35
		<u></u>	<u></u>
	Sundry income of £992k relates to proceeds received in respect of a business interruption claim (£925k) as well as receipt of research and development credits (£67k).		
<b>4</b>	<b>Operating profit</b>	<b>2022</b>	<b>2021</b>
		<b>£000</b>	<b>£000</b>
	Operating profit for the year is stated after charging/(crediting):		
	Covid-19 support	-	(236)
	Depreciation of owned tangible fixed assets	4,456	3,868
	Depreciation of tangible fixed assets held under finance leases	-	1,307
	Non-trading costs	423	779
	Amortisation of intangible assets	55	55
	Operating lease charges	<u>1,485</u>	<u>1,465</u>
	Covid-19 support comprises grants under the Government's Job Retention Scheme of £Nil (2021 - £229k) as well as rates reductions of £Nil (2021 - £7k).		
	Non-trading costs comprise £Nil (2021 - £389k) relating to group restructuring activities undertaken, £Nil (2021 - £90k) relating to costs associated with closed facilities and £423k (2021 - £300k) relating to LTIP costs for senior management.		
	Operating lease charges include £1,000k (2021 - £1,000k) in respect of the rent of boreholes and land at Blackford as well as £485k (2021 - £465k) in respect of short term plant and machinery hires.		
<b>5</b>	<b>Auditor's remuneration</b>	<b>2022</b>	<b>2021</b>
		<b>£000</b>	<b>£000</b>
	Fees payable to the company's auditor and associates:		
	<b>For audit services</b>		
	Audit of the financial statements of the group and company	<u>74</u>	<u>88</u>

# HIGHLAND SPRING LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 5 Auditor's remuneration (Continued)

<b>For other services</b>		
Taxation compliance services	15	38
Other taxation services	4	5
All other non-audit services	4	3
	<u>23</u>	<u>46</u>

### 6 Employees

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

	<b>Group 2022 Number</b>	<b>2021 Number</b>	<b>Company 2022 Number</b>	<b>2021 Number</b>
Distribution and sales	29	28	29	28
Production	309	275	309	275
Administration	62	60	62	60
<b>Total</b>	<u><b>400</b></u>	<u><b>363</b></u>	<u><b>400</b></u>	<u><b>363</b></u>

Their aggregate remuneration comprised:

	<b>Group 2022 £000</b>	<b>2021 £000</b>	<b>Company 2022 £000</b>	<b>2021 £000</b>
Wages and salaries	14,554	12,899	14,554	12,899
Social security costs	1,562	1,369	1,562	1,369
Pension costs	965	835	965	835
	<u>17,081</u>	<u>15,103</u>	<u>17,081</u>	<u>15,103</u>

### 7 Directors' remuneration

	<b>2022 £000</b>	<b>2021 £000</b>
Remuneration for qualifying services	<u>194</u>	<u>594</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 0 (2021 - 0).

# HIGHLAND SPRING LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 7 Directors' remuneration (Continued)

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2022 £000	2021 £000
Remuneration for qualifying services	194	594
<b>8 Interest receivable and similar income</b>		
	2022 £000	2021 £000
<b>Interest income</b>		
Interest receivable from related parties	208	89
<b>Other income from investments</b>		
Exchange differences	58	35
Total income	266	124
<b>9 Interest payable and similar expenses</b>		
	2022 £000	2021 £000
Interest and fees on bank overdrafts, bank loans and other loans	2,955	1,142
Interest payable to group undertakings	723	737
Interest on finance leases and hire purchase contracts	115	197
Total finance costs	3,793	2,076
<b>10 Taxation</b>		
	2022 £000	2021 £000
<b>Current tax</b>		
UK corporation tax on profits for the current period	-	144
Adjustments in respect of prior periods	264	(739)
Group tax relief	(598)	-
Total current tax	(334)	(595)

# HIGHLAND SPRING LIMITED

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

### 10 Taxation

(Continued)

	2022 £000	2021 £000
<b>Deferred tax</b>		
Origination and reversal of timing differences	(188)	222
Changes in tax rates	(60)	633
Adjustment in respect of prior periods	(185)	176
<b>Total deferred tax</b>	<b>(433)</b>	<b>1,031</b>
<b>Total tax (credit)/charge</b>	<b>(767)</b>	<b>436</b>

The actual (credit)/charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2022 £000	2021 £000
Profit before taxation	1,527	705
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	290	134
Tax effect of expenses that are not deductible in determining taxable profit	-	2
Adjustments in respect of prior years	264	(739)
Effect of change in corporation tax rate	(60)	633
Group relief	(484)	-
Research and development tax credit	(13)	-
Deferred tax adjustments in respect of prior years	(185)	176
Fixed asset differences	(570)	222
Other differences	(9)	8
<b>Taxation (credit)/charge</b>	<b>(767)</b>	<b>436</b>

A change in the future UK Corporation tax rate to 25% with effect from 1 April 2023 was announced in the March 2021 budget and substantively enacted on 24 May 2021. This change will have a consequential effect on the group's future tax charge in the UK and as the 25% tax rate was substantively enacted prior to the reporting date, deferred tax expected to unwind after 1 April 2023 has been calculated at 25% as opposed to the current tax rate of 19%.

# HIGHLAND SPRING LIMITED

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

### 11 Intangible fixed assets

<b>Group</b>	<b>Goodwill £000</b>
<b>Cost</b>	
At 1 January 2022 and 31 December 2022	1,092
<b>Amortisation and impairment</b>	
At 1 January 2022	640
Amortisation charged for the year	55
At 31 December 2022	695
<b>Carrying amount</b>	
At 31 December 2022	397
At 31 December 2021	452
<b>Company</b>	<b>Goodwill £000</b>
<b>Cost</b>	
At 1 January 2022 and 31 December 2022	1,092
<b>Amortisation and impairment</b>	
At 1 January 2022	640
Amortisation charged for the year	55
At 31 December 2022	695
<b>Carrying amount</b>	
At 31 December 2022	397
At 31 December 2021	452

Goodwill relates to the company's acquisition of the Greencore bottled water division and the directors were of the opinion on acquisition the useful life of goodwill was 20 years. On the implementation of FRS 102, the directors considered the remaining net book value and useful life and continue to amortise the balance over 20 years from the date of acquisition.

# HIGHLAND SPRING LIMITED

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

### 12 Tangible fixed assets

Group	Freehold land and buildings	Long leasehold property	Assets under construction	Plant and equipment	Fixtures and fittings	Total
	£000	£000	£000	£000	£000	£000
<b>Cost</b>						
At 1 January 2022 as restated	5,215	20,530	10,041	91,763	2,693	130,242
Additions	-	-	3,785	-	-	3,785
Transfers	560	-	(3,206)	2,602	44	-
	<u>5,775</u>	<u>20,530</u>	<u>10,620</u>	<u>94,365</u>	<u>2,737</u>	<u>134,027</u>
<b>At 31 December 2022</b>						
<b>Depreciation and impairment</b>						
At 1 January 2022 as restated	1,682	9,309	-	74,275	1,784	87,050
Depreciation charged in the year	589	-	-	3,671	196	4,456
	<u>2,271</u>	<u>9,309</u>	<u>-</u>	<u>77,946</u>	<u>1,980</u>	<u>91,506</u>
<b>At 31 December 2022</b>						
<b>Carrying amount</b>						
At 31 December 2022	<u>3,504</u>	<u>11,221</u>	<u>10,620</u>	<u>16,419</u>	<u>757</u>	<u>42,521</u>
At 31 December 2021 as restated	<u>3,533</u>	<u>11,221</u>	<u>10,041</u>	<u>17,488</u>	<u>909</u>	<u>43,192</u>

# HIGHLAND SPRING LIMITED

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

### 12 Tangible fixed assets

(Continued)

Company	Freehold land and buildings	Long leasehold property	Assets under construction	Plant and equipment	Fixtures and fittings	Total
	£000	£000	£000	£000	£000	£000
<b>Cost</b>						
At 1 January 2022 as restated	5,215	20,529	10,041	91,273	2,680	129,738
Additions	-	-	3,785	-	-	3,785
Disposals	-	-	-	(10)	-	(10)
Transfers	560	-	(3,206)	2,602	44	-
	<u>5,775</u>	<u>20,529</u>	<u>10,620</u>	<u>93,865</u>	<u>2,724</u>	<u>133,513</u>
<b>Depreciation and impairment</b>						
At 1 January 2022 as restated	1,682	9,307	-	73,817	1,773	86,579
Depreciation charged in the year	589	-	-	3,671	196	4,456
	<u>2,271</u>	<u>9,307</u>	<u>-</u>	<u>77,488</u>	<u>1,969</u>	<u>91,035</u>
<b>Carrying amount</b>						
At 31 December 2022	<u>3,504</u>	<u>11,222</u>	<u>10,620</u>	<u>16,377</u>	<u>755</u>	<u>42,478</u>
At 31 December 2021 as restated	<u>3,533</u>	<u>11,222</u>	<u>10,041</u>	<u>17,456</u>	<u>907</u>	<u>43,159</u>

The net carrying value of tangible fixed assets includes the following in respect of assets acquired under finance leases. No obligation in respect of the finance leases remained outstanding at the current year reporting date. This was as a result of the refinancing during the year as outlined at note 20 and the above finances were settled as part of this.

	Group 2022 £000	2021 £000	Company 2022 £000	2021 £000
Plant and equipment	-	8,518	-	8,518

### 13 Fixed asset investments

	Notes	Group 2022 £000	2021 £000	Company 2022 £000	2021 £000
Investments in subsidiaries	14	-	-	301	301
Investments in associates	15	-	-	-	-
		<u>-</u>	<u>-</u>	<u>301</u>	<u>301</u>

# HIGHLAND SPRING LIMITED

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

### 13 Fixed asset investments (Continued)

Movements in fixed asset investments Company	Shares in subsidiaries £000
<b>Cost or valuation</b>	
At 1 January 2022 and 31 December 2022	301
<b>Carrying amount</b>	
At 31 December 2022	301
At 31 December 2021	301

### 14 Subsidiaries

Details of the company's subsidiaries at 31 December 2022 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Gleneagles Spring Water Company Limited	See below	Dormant	Ordinary	100.00
Speyside Glenlivet (HSL) Company Limited	See below	Non-trading	Ordinary	100.00
Lothian Shelf (674) Limited	See below	Dormant	Ordinary	100.00

The registered address of all of the company's subsidiaries is Stirling Street, Blackford, Auchterarder, PH4 1QA.

Speyside Glenlivet (HSL) Company Limited has taken the exemption from the requirement to have their individual financial statements audited. This exemption is available under section 479A of the Companies Act 2006.

### 15 Associates

Details of associates at 31 December 2022 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Highland Renewables Limited	See below	Evaluation of renewable energy opportunities	Ordinary	49

The registered address of the company is Stirling Street, Blackford, Auchterarder, PH4 1QA.

Highland Renewables Limited for the year ended 31 December 2022 had negative net worth of £(16)k (2021 - £(14)k) and made a loss for the year of £2k (2021 - £2k). Given the quantum of these numbers, no adjustment is made.



# HIGHLAND SPRING LIMITED

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

### 16 Stocks

	Group 2022 £000	2021 £000	Company 2022 £000	2021 £000
Raw materials and consumables	1,704	1,444	1,704	1,444
Finished goods and goods for resale	5,135	2,790	5,134	2,790
Maintenance stocks	1,483	1,330	1,483	1,330
	<u>8,322</u>	<u>5,564</u>	<u>8,321</u>	<u>5,564</u>

### 17 Debtors

	Group 2022 £000	2021 £000	Company 2022 £000	2021 £000
Amounts falling due within one year:				
Trade debtors	17,867	13,033	17,867	13,033
Corporation tax recoverable	129	344	54	269
Amounts owed by group undertakings	6,390	6,331	6,461	6,370
Amounts owed by related parties	28	27	28	27
Other debtors	2	17	-	17
Prepayments and accrued income	4,341	1,920	4,334	1,839
	<u>28,757</u>	<u>21,672</u>	<u>28,744</u>	<u>21,555</u>

### 18 Creditors: amounts falling due within one year

	Notes	Group 2022 £000	2021 £000	Company 2022 £000	2021 £000
Bank loans	20	5,009	21,796	5,009	21,721
Obligations under finance leases	21	-	6,701	-	6,701
Other borrowings	20	1,000	8,000	1,000	8,000
Trade creditors		16,227	8,815	16,217	8,796
Amounts owed to group undertakings		-	-	269	269
Other taxation and social security		1,294	2,041	1,300	2,045
Group tax relief		51	51	-	-
Other creditors		1,005	733	1,003	733
Accruals and deferred income		9,537	14,559	9,537	14,502
		<u>34,123</u>	<u>62,696</u>	<u>34,335</u>	<u>62,767</u>

Refer to note 20 for details on the refinancing of the group's borrowings during the year as well as security in place over borrowings held at the reporting date.

# HIGHLAND SPRING LIMITED

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

### 19 Creditors: amounts falling due after more than one year

	Notes	Group 2022 £000	2021 £000	Company 2022 £000	2021 £000
Bank loans and overdrafts	20	26,851	-	26,851	-
Other borrowings	20	5,000	-	5,000	-
		<u>31,851</u>	<u>-</u>	<u>31,851</u>	<u>-</u>

Refer to note 20 for details on the refinancing of the group's borrowings during the year as well as security in place over borrowings held at the reporting date.

### 20 Loans and overdrafts

	Group 2022 £000	2021 £000	Company 2022 £000	2021 £000
Bank loans	31,860	21,796	31,860	21,721
Other loans	6,000	8,000	6,000	8,000
	<u>37,860</u>	<u>29,796</u>	<u>37,860</u>	<u>29,721</u>
Payable within one year	6,009	29,796	6,009	29,721
Payable after one year	<u>31,851</u>	<u>-</u>	<u>31,851</u>	<u>-</u>

# HIGHLAND SPRING LIMITED

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

### 20 Loans and overdrafts

(Continued)

During June 2022, the group completed a re-financing of its HSBC bank borrowings to ensure suitable funding levels were maintained, covering both short-term working capital requirements and the capital investment ambitions of the business included within its five year plan. The refinanced facility, provided by Breal Zeta ('BZ'), comprises a 3 year £54.3m facility which is split: £26.3m asset based lending, £25m term loan and a £3m revolving credit facility.

At the reporting date, the following balances were due by the group in respect of the new refinanced facility:

- £19.3m in relation to the term loan with the balance of the agreed facility due by Ochil Holdings Ltd, a parent undertaking of the group and a counterparty to the BZ facility;
- £12.5m in relation to the asset based lending facilities; and
- £Nil in relation to the revolving credit facility.

Loan balances due under the BZ facility fall due for repayment on maturity of the 36 month agreement with the exception of the term loan which is repayable by instalments which commence on the anniversary of initial drawdown. Included within the asset based lending facilities is £4.4m relating to a short term receivables facility which is shown as due within 12 months.

The borrowings attract interest at varying margins over the Bank of England base rate and borrowings are secured by debenture, containing fixed and floating charges over the group's assets.

Other loans relates to a £6m loan provided by a related company, Park Tower Investments Limited ('PTIL'), which has the same ultimate parent company as the group. The loan is unsecured and subordinated against the BZ debt with repayment restricted to certain conditions outlined in the BZ facility agreement. Except for allowable payments permitted under the BZ agreement, the PTIL balance will fall due for repayment in June 2025 when the BZ facility matures. At the reporting date, £1m of the PTIL balances is expected to be settled within 12 months and is included within amounts payable within one year.

### 21 Finance lease obligations

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Future minimum lease payments due under finance leases:				
Within one year	-	6,701	-	6,701

Finance lease payments represent rentals payable by the company or group for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

# HIGHLAND SPRING LIMITED

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

### 22 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

	Liabilities 2022 £000	Liabilities 2021 £000
<b>Group</b>		
Accelerated capital allowances	2,342	2,639
Short term timing differences	(136)	-
	<u>2,206</u>	<u>2,639</u>
	<u>2,206</u>	<u>2,639</u>
	Liabilities 2022 £000	Liabilities 2021 £000
<b>Company</b>		
Accelerated capital allowances	2,342	2,639
Short term timing differences	(136)	-
	<u>2,206</u>	<u>2,639</u>
	<u>2,206</u>	<u>2,639</u>
	Group 2022 £000	Company 2022 £000
<b>Movements in the year:</b>		
Liability at 1 January 2022	2,639	2,639
Credit to profit or loss	(433)	(433)
	<u>2,206</u>	<u>2,206</u>
Liability at 31 December 2022	<u>2,206</u>	<u>2,206</u>

In addition to the deferred tax liability outlined above, the group had deferred tax assets of £1,409 (2021 - £1,409k) relating to trading losses of the company's subsidiaries of £1,369 (2021 - £1,369k) and decelerated capital allowances of £40 (2021 - £40k) not recognised due to uncertainty surrounding recoverability of the balances.

### 23 Government grants

	Group 2022 £000	2021 as restated £000	Company 2022 £000	2021 as restated £000
Arising from government grants	<u>4,468</u>	<u>3,467</u>	<u>4,468</u>	<u>3,467</u>

# HIGHLAND SPRING LIMITED

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

### 24 Retirement benefit schemes

	2022	2021
	£000	£000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	965	835

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund. Contributions totalling £302k (2021 - £110k) were payable to the fund at the reporting date and included in creditors due within one year.

### 25 Share capital

Group and company	2022	2021	2022	2021
	Number	Number	£000	£000
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	10,000,000	10,000,000	10,000	10,000

### 26 Reserves

#### Profit and loss reserves

Profit and loss reserves represent total comprehensive income or expenditure for the year and prior periods less dividends paid.

### 27 Financial commitments, guarantees and contingent liabilities

The group has provided a corporate guarantee and indemnity to other group entities party to the wider BZ facility. The exposure under the corporate guarantee at the reporting date was £6.1m.

### 28 Operating lease commitments

#### Lessee

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

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Within one year	1,000	1,000	1,000	1,000
Between two and five years	4,000	4,000	4,000	4,000
In over five years	71,250	72,250	71,250	72,250
	<u>76,250</u>	<u>77,250</u>	<u>76,250</u>	<u>77,250</u>

# HIGHLAND SPRING LIMITED

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

### 29 Capital commitments

Amounts contracted for but not provided in the financial statements:

	Group 2022 £000	2021 £000	Company 2022 £000	2021 £000
Acquisition of tangible fixed assets	-	1,212	-	1,212

### 30 Events after the reporting date

Following the year end, the directors have committed to investing in one new bottling production line and a retro fit on an existing line which will incur projected capex spend of £11.6 million. These lines are expected to be commissioned during 2024.

Following the year end, the decision was made to cease operations at the Beacons manufacturing site. The closure of the site is subject to due diligence and is expected to take place by June 2023. Production and other manufacturing will not be impacted.

### 31 Related party transactions

#### Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2022 £000	2021 £000
Aggregate compensation	729	1,510

# HIGHLAND SPRING LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 31 Related party transactions

(Continued)

#### Transactions with related parties

The group entered into the following transactions with related parties during the current year:

- Included in the current year are amounts charged by Blackford Farms Limited, relating to management of the catchment areas within the Blackford Estate, totalling £837k (2021 - £808k). There were no amounts outstanding at the year end (2021 - £nil). Both the company and Blackford Farms Limited are under the same ultimate ownership.
- Included in the current year are amounts charged by an intermediate parent company, Ochil Holdings Limited, relating to the factory site and water boreholes areas of Blackford Estate, totalling £1,000k (2021 - £1,000k). There were no amounts outstanding in respect of these charges at the year end (2021 - £nil). Also during the year, the company loaned £354k (2021 - £2,367k) to Ochil Holdings Limited. At the balance sheet date, the company was owed £5,885k (2021 - £5,531k) by Ochil Holdings Limited. Interest is charged on this loan at 2% above SONIA; the charge for the year was £182k (2021 - £88k). Interest of £371k (2021 - £189k) remains outstanding at the year end.
- The company has a loan from Park Tower Investments Limited of which £6,000k remained due at the balance sheet date (2021 - £8,000k). Interest is charged on this loan at 6% above Bank of England Base Rate; the charge for the year was £723k (2021 - £737k). Interest of £1,111k remains outstanding at the year end (2021 - £1,462k). During the year repayment of £1,075k (2021 - £nil) was made in respect of outstanding interest on this loan. Both the company and Park Tower Investments Limited are under the same ultimate ownership.
- At the balance sheet date, the company was owed £28k (2021 - £27k) by Highland Renewables Limited. The company charged interest of £nil (2021 - £nil) on the balance during the current year. Both the company and Highland Renewables Limited are under the same ultimate ownership. L Montgomery is also a director of both Highland Renewables Limited and the company.
- At the balance sheet date, the company was owed £813k (2021 - £743k) by Hope Sixteen (No. 87) Limited. Interest is charged on this loan at 2% above SONIA; the charge for the year was £26k (2021 - £16k). Interest of £83k (2021 - £57k) remains outstanding at the year end. Both the company and Hope Sixteen (No. 87) Limited are under the same ultimate ownership.
- During the current year, the company made donations of £216k (2021 - £216k) to the Altajir Trust. The trust was founded by HE MM Altajir.

### 32 Controlling party

The directors regard Park Tower Holdings Establishment, which is registered in Lichtenstein, to be the ultimate parent company and controlling party. The company's immediate parent undertaking is HS Holdings 1979 Limited, which is registered in England. The smallest and largest group preparing consolidated financial statements which includes the company and its subsidiaries is Hope Sixteen (No.87) Limited. These can be obtained from Companies House, 139 Fountainbridge, Edinburgh, EH3 9FF.

# HIGHLAND SPRING LIMITED

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

### 33 Cash generated from group operations

	2022 £000	2021 £000
Profit for the year after tax	2,294	269
<b>Adjustments for:</b>		
Taxation (credited)/charged	(767)	436
Finance costs	3,793	2,076
Investment income	(266)	(124)
Foreign exchange non-cash movement	58	35
Amortisation and impairment of intangible assets	55	55
Depreciation and impairment of tangible fixed assets	4,456	5,175
<b>Movements in working capital:</b>		
(Increase)/decrease in stocks	(2,758)	352
Increase in debtors	(6,678)	(4,921)
Increase in creditors	2,663	5,518
<b>Cash generated from operations</b>	<b>2,850</b>	<b>8,871</b>

### 34 Analysis of changes in net debt - group

	1 January 2022 £000	Cash flows £000	Other non- cash changes £000	31 December 2022 £000
Cash at bank and in hand	4,178	(2,977)	-	1,201
Other loans and borrowings	(8,000)	(27,954)	(1,906)	(37,860)
Obligations under finance leases	(6,701)	6,701	-	-
Bank loans	(21,796)	21,796	-	-
	<u>(32,319)</u>	<u>(2,434)</u>	<u>(1,906)</u>	<u>(36,659)</u>