

**BRITA WATER FILTER SYSTEMS
LIMITED**

Report and Financial Statements

31 December 2002

**Deloitte & Touche
London**



BRITA WATER FILTER SYSTEMS LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

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BRITA WATER FILTER SYSTEMS LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D. Banfield
M. Hankammer

SECRETARY

H.J. Siegrist

REGISTERED OFFICE

Brita House
The Summit Centre
Hanworth Road
Sunbury-on-Thames
Middlesex
TW16 5BH

BANKERS

Barclays Bank Plc
London Corporate Banking
50 Pall Mall
PO Box No. 15161R
London
SW1A 1QA

SOLICITORS

Wragge and Co
55 Colmore Row
Birmingham
B3 2AS

AUDITORS

Deloitte & Touche
Chartered Accountants
London

BRITA WATER FILTER SYSTEMS LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was the production, sale and servicing of water filtration products.

There were no significant changes in the operation of the company's business during the year under review. In the opinion of the directors the company was in a satisfactory position at 31 December 2002.

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

During the year, no interim dividend was paid (2001 – £nil) and a final dividend of £2m is proposed (2001 – £2m).

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year were as follows:

D. Banfield

M. Hankammer

The company is a wholly owned subsidiary of Brita GmbH.

M. Hankammer is also a director of the parent company.

The directors who held office at 31 December 2002 had no beneficial interest in the shares of the company or its holding companies that require disclosure under Schedule 7 of the Companies Act 1985.

AUDITORS

During the year, Arthur Andersen resigned as auditors to the company and Deloitte & Touche were appointed to fill the casual vacancy. The directors will place a resolution before the Annual General Meeting to reappoint Deloitte & Touche as auditors for the ensuing year.

Approved by the Board of Directors
and signed on behalf of the Board



D Banfield
Director

27 February 2003

BRITA WATER FILTER SYSTEMS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BRITA WATER FILTER SYSTEMS LIMITED

We have audited the financial statements of Brita Water Filter Systems Limited for the year ended 31 December 2002, which comprise the profit and loss account, the balance sheet, the cash flow statement and statement of accounting policies and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte + Touche

Deloitte & Touche

Chartered Accountants and Registered Auditors
London

6 March 2003

BRITA WATER FILTER SYSTEMS LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2002

	Note	2002 £	2001 £
TURNOVER	2	34,950,442	27,639,362
Cost of sales		<u>(17,355,187)</u>	<u>(14,337,090)</u>
GROSS PROFIT		17,595,255	13,302,272
Distribution costs		(10,089,497)	(7,818,123)
Administrative expenses		<u>(1,824,041)</u>	<u>(1,460,524)</u>
OPERATING PROFIT	3	5,681,717	4,023,625
Interest receivable	6	152,784	81,262
Interest payable and similar charges	7	<u>(10,796)</u>	<u>(2,591)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		5,823,705	4,102,296
Tax on profit on ordinary activities	8	<u>(1,790,065)</u>	<u>(1,231,604)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		4,033,640	2,870,692
Dividends	21	<u>(2,000,000)</u>	<u>(2,000,000)</u>
Retained profit for the year		2,033,640	870,692
Retained profit for beginning of year		<u>2,830,353</u>	<u>1,959,661</u>
Retained profit end of year		<u><u>4,863,993</u></u>	<u><u>2,830,353</u></u>

The above results were derived from continuing operations.

There were no profits or losses in either year other than those included in the above profit and loss accounts.

The accompanying notes are an integral part of this profit and loss account.

BRITA WATER FILTER SYSTEMS LIMITED

BALANCE SHEET 31 December 2002

	Note	2002 £	2001 £
FIXED ASSETS			
Tangible assets	9	<u>1,696,392</u>	<u>1,791,975</u>
CURRENT ASSETS			
Stocks	10	3,006,598	1,541,529
Debtors	11	6,051,653	4,754,901
Cash at bank and in hand		<u>4,214,567</u>	<u>3,422,314</u>
		13,272,818	9,718,744
CREDITORS: amounts falling due within one year	12	<u>(9,373,169)</u>	<u>(7,961,512)</u>
NET CURRENT ASSETS		<u>3,899,649</u>	<u>1,757,232</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,596,041	3,549,207
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	13	<u>(32,048)</u>	<u>(18,854)</u>
NET ASSETS		<u>5,563,993</u>	<u>3,530,353</u>
CAPITAL AND RESERVES			
Called up equity share capital	16	700,000	700,000
Profit and loss account		<u>4,863,993</u>	<u>2,830,353</u>
EQUITY SHAREHOLDERS' FUNDS	17	<u>5,563,993</u>	<u>3,530,353</u>

The financial statements on pages 5 to 16 were approved by the board of directors on 27 February 2003 and signed on its behalf by:



D Banfield
Director

The accompanying notes are an integral part of this balance sheet.

BRITA WATER FILTER SYSTEMS LIMITED

CASH FLOW STATEMENT Year ended 31 December 2002

	Note	2002 £	2001 £
Net cash inflow from operating activities	18	4,260,418	5,854,023
Returns on investments and servicing of finance			
Interest received		145,274	77,254
Interest paid		(10,702)	(2,592)
Net cash outflow from returns on investments and servicing of finance		134,572	74,662
Taxation		(1,541,301)	(1,461,177)
Capital expenditure			
Payments to acquire tangible fixed assets		(98,632)	(166,490)
Receipts from sale of fixed assets		3,405	-
Net cash outflow from capital expenditure		(95,227)	(166,490)
Equity dividends paid		(2,000,000)	(1,000,000)
Cash inflow before financing		758,462	3,301,018
Financing			
Net (outflow) from bank loans		-	-
Net (outflow) in respect of loans from group		-	-
Net cash outflow from financing		-	-
Increase/(decrease) in cash	19,20	758,462	3,301,018

The accompanying notes are an integral part of this cash flow statement.

BRITA WATER FILTER SYSTEMS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

1. ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, net of VAT and trade discounts.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is calculated so as to write off the cost of an asset, less its estimated value, over the useful economic life of that asset on a straight line basis as follows:

Freehold buildings	-	over 25 years
Plant and machinery	-	over 3 to 10 years
Motor vehicles	-	over 3 years
Fixtures and fittings	-	over 10 to 25 years

Stocks

Stock has been valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Stock is valued on a FIFO basis.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risk of ownership remain with the lessor are charged against profits as incurred.

Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represent the contributions payable to the scheme in respect of the accounting period.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

BRITA WATER FILTER SYSTEMS LIMITED

NOTES TO THE ACCOUNTS **Year ended 31 December 2002**

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

BRITA WATER FILTER SYSTEMS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover by destination is given below:

	2002 £	2001 £
United Kingdom	34,899,214	27,534,836
Overseas	51,228	104,526
	<u>34,950,442</u>	<u>27,639,362</u>

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2002 £	2001 £
Staff pension contributions	120,073	127,780
Depreciation and amounts written back/off tangible fixed assets	199,344	171,194
(Profit)/loss on disposal of fixed assets	(2,890)	25,456
Auditors' remuneration		
- audit fees	24,000	25,950
- accountancy and taxation fees	5,650	11,540
Operating lease costs		
- land and buildings	82,000	87,827
- motor vehicles	143,527	188,521
Net profit on foreign currency translation	(356,880)	(826,531)
	<u></u>	<u></u>

4. PARTICULARS OF EMPLOYEES

The average monthly number of staff employed by the company during the financial year (including executive directors) amounted to:

	2002 Number	2001 Number
Production	28	29
Administration	15	15
Sales and distribution	48	44
	<u>91</u>	<u>88</u>

The aggregate payroll costs of the above were:

	2002 £	2001 £
Wages and salaries	2,522,171	2,278,852
Social security costs	240,871	212,453
Other pension costs	120,073	127,780
	<u>2,883,115</u>	<u>2,619,085</u>

BRITA WATER FILTER SYSTEMS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2002 £	2001 £
Emoluments receivable including benefits in kind	149,759	261,308
Company pension contributions to money purchase schemes	8,400	12,651
	<u>158,159</u>	<u>273,959</u>

One director (2001: one) had retirement benefits accruing under money purchase schemes.

6. INTEREST RECEIVABLE

	2002 £	2001 £
Bank interest receivable	<u>152,784</u>	<u>81,262</u>

7. INTEREST PAYABLE

	2002 £	2001 £
Interest payable on bank borrowings	3,935	662
Other similar charges payable	6,861	1,929
	<u>10,796</u>	<u>2,591</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

In respect of the year:

	2002 £	2001 £
Current tax		
UK Corporation tax	1,787,836	1,266,658
	<u>1,787,836</u>	<u>1,266,658</u>
Adjustments in respect of prior years		
– UK corporation tax	(10,965)	10,514
	<u>1,776,871</u>	<u>1,277,172</u>
Deferred tax		
Origination and reversal of timing differences	13,194	(24,148)
Prior year	-	(21,420)
	<u>13,194</u>	<u>(45,568)</u>
Total tax on profit on ordinary activities	<u>1,790,065</u>	<u>1,231,604</u>

BRITA WATER FILTER SYSTEMS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

Profit on ordinary activities before tax	5,823,705	4,102,296
	<u>5,823,705</u>	<u>4,102,296</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2001 – 30%)	1,747,112	1,230,689
Effects of:		
Expenses not deductible for tax purposes	33,710	19,273
Capital allowances in excess of depreciation	7,014	16,696
Adjustments to tax charge in respect of previous periods	(10,965)	10,514
	<u>1,776,871</u>	<u>1,277,172</u>
Current tax charge for the year		

9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost					
At 1 January 2002	1,852,421	755,204	91,782	305,752	3,005,159
Additions	21,288	76,314	6,675	-	104,277
Disposals	-	-	(49,222)	-	(49,222)
At 31 December 2002	<u>1,873,709</u>	<u>831,518</u>	<u>49,235</u>	<u>305,752</u>	<u>3,060,214</u>
Depreciation					
At 1 January 2002	407,924	489,886	79,024	236,350	1,213,184
Charge for year	62,302	96,706	12,540	27,796	199,344
Disposals	-	-	(48,706)	-	(48,706)
At 31 December 2002	<u>470,226</u>	<u>586,592</u>	<u>42,858</u>	<u>264,146</u>	<u>1,363,822</u>
Net book value					
At 31 December 2002	<u>1,403,483</u>	<u>244,926</u>	<u>6,377</u>	<u>41,606</u>	<u>1,696,392</u>
At 31 December 2001	<u>1,444,497</u>	<u>265,318</u>	<u>12,758</u>	<u>69,402</u>	<u>1,791,975</u>

Included in the net book value of land and buildings is freehold land at a cost of £300,000 (2001: £300,000).

BRITA WATER FILTER SYSTEMS LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2002

10. STOCKS

	2002 £	2001 £
Raw materials	366,300	224,110
Finished goods	2,640,298	1,317,419
	<u>3,006,598</u>	<u>1,541,529</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

11. DEBTORS

	2002 £	2001 £
Trade debtors	5,870,889	4,115,294
Amounts owed by group undertakings	-	479,730
Other debtors	-	6,541
Prepayments and accrued income	180,764	153,336
	<u>6,051,653</u>	<u>4,754,901</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Trade creditors	1,055,158	1,144,794
Amounts owed to group undertakings	3,055,090	2,966,720
Other creditors:		
- other taxes and social security costs	977,182	657,694
- corporation tax	970,829	735,260
Accruals and deferred income	3,314,909	2,457,043
	<u>9,373,169</u>	<u>7,961,512</u>

13. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was:

	2002 £	2001 £
Provision brought forward	18,854	64,423
Increase/(decrease) in provision	13,194	(45,569)
	<u>32,048</u>	<u>18,854</u>

BRITA WATER FILTER SYSTEMS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

13. DEFERRED TAXATION (continued)

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2002 £	2001 £
Excess of taxation allowances over depreciation on fixed assets	54,154	59,169
Other timing differences	(20,106)	(40,315)
	<u>32,048</u>	<u>18,854</u>

14. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2002 the company had annual commitments under non-cancellable operating leases as set out below:

	2002		2001	
	Land and buildings £	Other items £	Land and buildings £	Other items £
Operating leases which expire				
- within one year	0	34,894	0	42,779
- within two to five years	82,000	115,554	82,000	85,389
	<u>205,000</u>	<u>150,448</u>	<u>287,000</u>	<u>128,168</u>

15. RELATED PARTY TRANSACTIONS

Brita Water Filter Systems Limited is controlled by its ultimate parent company, Brita GmbH, a private company incorporated in Germany.

During the year Brita Water Filter Systems Limited purchased goods from its parent company amounting to £15,382,120 (2001 – £12,675,883).

The company made sales during the year to its parent company and other associated companies as follows:

	2002 £	2001 £
Brita GmbH	1,218	5,752
Brita France SARL	2,205	3,166
	<u>3,423</u>	<u>8,918</u>

The above transactions were undertaken at arms length on normal commercial terms.

Debtors include amounts of £nil (2001 £479,730) owed by Brita GmbH.

BRITA WATER FILTER SYSTEMS LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2002

16. SHARE CAPITAL

	2002 £	2001 £
Authorised share capital		
700,000 ordinary shares of £1 each	<u>700,000</u>	<u>700,000</u>
Allotted, called up and fully paid		
700,000 ordinary shares of £1 each	<u>700,000</u>	<u>700,000</u>

17. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2002 £	2001 £
Profit for the financial year	4,033,640	2,870,692
Dividends	(2,000,000)	(2,000,000)
Opening equity shareholders' funds	<u>3,530,353</u>	<u>2,659,661</u>
Closing equity shareholders' funds	<u>5,563,993</u>	<u>3,530,353</u>

18. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 £	2001 £
Operating profit	5,681,717	4,023,625
Depreciation	199,344	171,194
Exchange translation on foreign currency deposits	(33,791)	3,562
(Profit)/loss on disposal of fixed assets	(2,890)	25,456
(Increase) in stocks	(1,465,069)	(510,550)
(Increase)/decrease in debtors	(1,289,240)	327,648
Increase in creditors	<u>1,170,347</u>	<u>1,813,088</u>
Net cash inflow from operating activities	<u>4,260,418</u>	<u>5,854,023</u>

BRITA WATER FILTER SYSTEMS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

19. RECONCILIATION OF NET CASH FLOW MOVEMENT TO MOVEMENT IN NET FUNDS)

	2002 £	2001 £
Increase in cash in the period	758,462	3,301,018
Cash inflow from other loans	-	-
Exchange translation on foreign currency deposits	33,791	(3,562)
Change in net funds	792,253	3,297,456
Net funds/(debt) at beginning of the year	3,422,314	124,858
Net funds at end of year	4,214,567	3,422,314

20. ANALYSIS OF CHANGES IN NET FUNDS

	1 January 2002 £	Cash flows £	Exchange movement £	31 December 2002 £
Cash at bank and in hand	3,422,314	758,462	33,791	4,214,567
Overdraft	-	-	-	-
	<u>3,422,314</u>	<u>758,452</u>	<u>33,791</u>	<u>4,214,567</u>

21. DIVIDENDS

	2002 £	2001 £
Interim dividend per share – nil (2001 – £nil)	-	-
Final dividend proposed £2.857 per share (2001 – £2.857)	2,000,000	2,000,000
	<u>2,000,000</u>	<u>2,000,000</u>

22. ULTIMATE PARENT COMPANY

The ultimate holding company is Brita GmbH, a company incorporated in Germany. This is the only company in the group for which consolidated financial statements are prepared. They are not available to the public.