

# Brita Water Filter Systems Limited

## Report and Financial Statements

31 December 2007



# Brita Water Filter Systems Limited

---

Registered No 2700375

## **Directors**

D Banfield  
M Hankammer  
R Belz

## **Secretary**

H J Siegrist

## **Auditors**

Ernst & Young LLP  
Apex Plaza  
Reading  
RG1 1YE

## **Bankers**

Barclays Bank Plc  
1 Churchill Place  
London  
E14 5HP

## **Solicitors**

Hammonds  
Rutland House  
148 Edmund Street  
Birmingham  
B3 2JR

## **Registered office**

Brita House  
9 Granville Way  
Bicester  
OX26 4JT

## Directors' report

The directors present their report and financial statements for the year ended 31 December 2007

### Results and dividends

The profit for the year, after taxation, amounted to £811,277 (2006 £2,372,286) No interim dividends were paid during the year (2006 £ NIL) and the directors recommend a final dividend of £500,000 be declared for approval at the AGM (2006 £3,000,000)

### Principal activities and review of the business

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

The company's key financial and other performance indicators during the year were as follows

	2007 £'000	2006 £'000	Change %
Turnover	37,901	37,346	1%
Operating Profit	885	3,105	-72%
Free Cash Flow	(1,305)	2,416	-154%
	%	%	Ppt
Market Penetration	24%	24%	0
Market Share	75%	74%	1

Company turnover grew by £0.55 million. Consumer division sales were slightly down on 2006 but supported by strong growth in the new Inline product. Professional division sales were up 12% on the prior year with significant new contracts being signed with large distributors (particularly in the coffee sector) and renewal of existing long term contracts as they expired during the year.

Operating profit reduced significantly as a result of a combination of factors. In the consumer division, continuing pressure from retailers and spending to grow the Inline business to critical mass all reduced margins. As for the professional division, new and renewal contract negotiations, whilst supporting growth, put pressure on pricing, and spending on maintaining and enhancing our customer service also impacted profitability. Both divisions were affected by input price increases, driven in part by cost increases for raw materials, in particular oil based plastics. Overheads grew by 3.2%.

Free Cash Flow was positive for much of the year, but went negative at year end due to disappointing inventory and third party receivables. This contrasts with the better performance in 2006.

Two key non-financial measures monitored by the business are household market penetration of water filter jugs as a percentage of UK households and Brita's share of that market. During the year market penetration was maintained at 24%, whilst Brita grew market leadership with share increasing to 75%.

### Future Developments

The directors aim to continue the policies which have led to the company's market leadership position and expect continuing growth in both divisions.

### Principal Risks and Uncertainties

Both divisions continued to face increased customer demands during 2007. In such an environment the company continued to focus on maintaining good control over costs and on differentiating ourselves from our competitors through excellent customer service and innovative products and product offerings.

## Directors' report (continued)

### Principal Risks and Uncertainties (continued)

The financial risks to which the company is exposed are mainly currency and credit risk

The company is exposed to fluctuations in the euro exchange rate, with a high proportion of the business' product cost being denominated in euros. The financial risk management objective is to hedge the euro exposure to achieve a rate better than or equal to the budgeted rate for the year using either economic or financial hedges. Despite this policy the rapid increase in the value of the Euro against sterling between the end of November 2007 and mid January 2008 will impact on profit performance during 2008 and management are acting to minimize this impact with a range of both commercial and financial measures

The company's credit risk covers a wide spectrum, from large retailers to small independent businesses. Standard credit control procedures are applied and losses from the failure of customers have historically been low.

The company is also exposed to interest rate and liquidity risk but these are considered to be low risks given that the company usually maintains a cash surplus which is deposited at variable interest rates. Any short term working capital needs can be covered by interest bearing loans from the company's parent, Brita GmbH. The variability in profits due to fluctuations in interest on short term borrowings or deposits is not considered material by the directors.

An interest bearing loan has been advanced to the company's sister company, Brita Manufacturing (UK) Limited ("BMC") to help finance both the start up and the expansion of that company's operations. Whilst this is nominally a short term loan the directors have agreed to allow BMC to repay the loan according to BMC's natural cash generation.

The company has no borrowings.

### Derivatives - Fair Value

The fair value at 31 December 2007 of derivatives held by the business was as follows

Foreign exchange options	£58,299 unrealised gain (2006 £176,186 unrealised loss)
--------------------------	---

At the end of the year sterling depreciated markedly against the Euro and this left outstanding options showing an unrealised gain.

### Directors

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

D Banfield  
M Hankammer  
R Belz

The company is a wholly owned subsidiary of Brita GmbH. M Hankammer is also a director of the parent company.

## Directors' report (continued)

### Directors liability

The company has provided insurance for one or more of the directors of the company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985. Such qualifying third party provisions were in force during the year and are in force as at the date of approving the director's report.

### Donations

During the year the company sponsored various events and programmes including the Oxfordshire Youth Games and the TRY programme which has introduced more than eighteen thousand children to the sport of rugby. Total sponsorship amounted to £11,250. In addition a good cause fund is run, making small grants (usually on the basis of recommendation by members of staff) to organisations which are either local or in some way special for staff members. Total grants made in the year amounted to £2,295.

No other charitable donations were made in the year.

Brita UK's staff vote for a charity to be supported for a period of two years, thus the supported charity for 2008 will remain Cancer Research UK.

### Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 3. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

### Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the board



D Banfield

Director

20 March 2008

## **Statement of directors' responsibilities in respect of the financial statements**

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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records that 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Independent auditors' report**

### **to the members of Brita Water Filter Systems Limited**

We have audited the company's financial statements for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 20. 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**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

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

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

## Independent auditors' report

to the members of Brita Water Filter Systems Limited (continued)

### Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements



Ernst & Young LLP  
Registered auditor  
Reading

Date *1 April 2008*



## Profit and loss account

for the year ended 31 December 2007

	Notes	2007 £	Restated 2006 £
<b>Turnover</b>	2	37,901,336	37,346,711
Cost of sales		25,199,056	23,142,882
<b>Gross profit</b>		12,702,280	14,203,829
Distribution costs		9,537,393	9,054,082
Administrative expenses		2,279,644	2,044,313
<b>Operating profit</b>	3	885,243	3,105,434
Interest receivable	6	412,574	289,296
Interest payable and similar charges	7	(6,391)	(7,434)
		406,183	281,862
<b>Profit on ordinary activities before taxation</b>		1,291,426	3,387,296
Tax on profit on ordinary activities	8	480,149	1,015,010
<b>Profit on ordinary activities after taxation</b>		811,277	2,372,286

## Statement of total recognised gains and losses

for the year ended 31 December 2007

There are no recognised gains or losses other than the profit of £811,277 attributable to the shareholders for the year ended 31 December 2007 (2006 profit of £2,372,286)

# **Balance sheet** at 31 December 2007

	Notes	2007 £	2006 £
<b>Fixed assets</b>			
Tangible assets	10	5,694,954	5,779,523
<b>Current assets</b>			
Stocks	11	2,877,047	1,426,552
Debtors	12	11,867,516	9,609,309
Cash at bank		338,239	4,941,036
		<u>15,082,802</u>	<u>15,976,897</u>
<b>Creditors</b> amounts falling due within one year	13	9,949,632	8,739,573
<b>Net current assets</b>		<u>5,133,170</u>	<u>7,237,324</u>
<b>Total assets less current liabilities</b>		<u>10,828,124</u>	<u>13,016,847</u>
 <b>Capital and reserves</b>			
Called up share capital	16	700,000	700,000
Profit and loss account	17	10,128,124	12,316,847
<b>Shareholders' funds</b>	17	<u>10,828,124</u>	<u>13,016,847</u>

Approved by the Board



D Banfield  
Director

Date 20 March 2008

## Statement of cash flows

for the year ended 31 December 2007

	Notes	2007 £	2006 £
<b>Net cash (outflow)/ inflow from operating activities</b>	18(a)	(634,851)	3,828,435
<b>Returns on investments and servicing of finance</b>	18(b)	257,669	189,773
<b>Taxation</b>	18(c)	(838,266)	(910,990)
<b>Capital expenditure and financial investment</b>	18(d)	(393,849)	(288,897)
<b>Equity dividends paid</b>		(3,000,000)	(3,000,000)
<b>Decrease in cash</b>		<u>(4,609,297)</u>	<u>(181,679)</u>

### Reconciliation of net cash flow to movement in net funds

		2007 £	2006 £
Decrease in cash		(4,609,297)	(181,679)
Translation differences		6,500	(6,525)
Movement in net funds		<u>(4,602,797)</u>	<u>(188,204)</u>
Net funds at 1 January	18(e)	4,941,036	5,129,240
Net funds at 31 December	18(e)	<u>338,239</u>	<u>4,941,036</u>

## Notes to the financial statements

at 31 December 2007

### 1. Accounting policies

#### **Basis of preparation**

The financial statements of Brita Water Filter Systems Limited were approved for issue by the Board of Directors on the date shown on the balance sheet

The financial statements are prepared under the historical cost convention, and in accordance with applicable accounting standards

#### **Fixed assets**

All fixed assets are initially recorded at cost

#### **Depreciation**

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows

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

#### **Revenue recognition**

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised

#### **Sale of goods**

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods

#### **Deferred taxation**

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

## Notes to the financial statements

at 31 December 2007

### 1. Accounting policies (continued)

#### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date

All differences are taken to the profit and loss account

#### **Operating lease agreements**

Rentals payable under operating leases are charged to the profit and loss account 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 represents the contributions payable to the scheme in respect of the accounting period.

### 2. Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, net of value added tax and trade discounts. Turnover is attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below

	2007 £	2006 £
United Kingdom	37,573,293	37,098,584
Rest of World	328,043	248,127
	<u>37,901,336</u>	<u>37,346,711</u>

### 3. Operating profit

This is stated after charging/(crediting)

	2007 £	2006 £
Auditors' remuneration - audit of the financial statements	37,700	37,700
- taxation services	9,300	31,495
	<u>47,000</u>	<u>69,195</u>
Depreciation of owned fixed assets	<u>478,418</u>	<u>482,464</u>
Loss on disposal of fixed assets	-	25,893
Operating lease rentals - plant and machinery	88,575	100,325
Net (gain)/loss on foreign currency translation	<u>(34,116)</u>	<u>115,491</u>

## Notes to the financial statements

at 31 December 2007

### 4. Staff costs

	2007 £	2006 £
Wages and salaries	3,314,916	3,100,051
Social security costs	363,508	337,981
Staff pension contributions	193,060	205,944
	<u>3,871,484</u>	<u>3,643,976</u>

The monthly average number of employees during the year was as follows

	2007 No	2006 No
Distribution staff	58	61
Administrative staff	28	23
	<u>86</u>	<u>84</u>

### 5. Directors' emoluments

	2007 £	2006 £
Emoluments	<u>150,637</u>	<u>144,547</u>
Value of company pension contributions to money purchase schemes	<u>16,991</u>	<u>16,159</u>
	2007 No	2006 No
Members of money purchase pension schemes	<u>1</u>	<u>1</u>

## Notes to the financial statements

at 31 December 2007

### 6. Interest receivable

	2007 £	2006 £
Bank interest receivable	264,000	202,958
Interest receivable from fellow subsidiaries	148,514	86,338
Corporation tax interest receivable	60	-
	<u>412,574</u>	<u>289,296</u>

### 7. Interest payable and similar charges

	2007 £	2006 £
Bank interest payable	3,978	-
Other similar charges payable	2,413	7,434
	<u>6,391</u>	<u>7,434</u>

### 8. Taxation on ordinary activities

(a) Tax on profit on ordinary activities  
The tax charge is made up as follows

	2007 £	2006 £
<i>Current tax</i>		
UK corporation tax on profits of the period	414,118	1,017,211
Adjustments in respect of previous periods	9,300	48,260
Total current tax (note 8(b))	<u>423,418</u>	<u>1,065,471</u>
<i>Deferred tax</i>		
Originating and reversal of timing differences	56,731	(50,461)
Tax on profit on ordinary activities	<u>480,149</u>	<u>1,015,010</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is different from the standard rate of corporation tax in the UK of 30% (2006 30%) The differences are reconciled below

	2007 £	2006 £
Profit on ordinary activities before taxation	<u>1,291,426</u>	<u>3,387,296</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	387,428	1,016,189
Expenses not deductible for tax purposes	(32,642)	21,450
Depreciation in excess of capital allowances	28,307	(8,161)
Adjustments in respect of previous periods	9,300	48,260
Other timing differences	31,025	(12,267)
Total current tax (note 8(a))	<u>423,418</u>	<u>1,065,471</u>

## Notes to the financial statements

at 31 December 2007

### 8. Taxation on ordinary activities (continued)

(c) Factors that may affect future tax charges

The deferred tax asset arising in respect of accelerated capital allowances and other timing differences has been recognised on the basis that the company considers it to be more likely than not that sufficient taxable profits will be generated going forward such that a tax deduction should be available when the underlying timing difference reverses

(d) Provision for deferred tax asset

	£
At 1 January 2007	155,815
Profit and loss account	52,255
Reversal of provision on IBA's	(74,366)
Adjustments in respect of prior years	(34,620)
At 31 December 2007	<u>99,084</u>

The deferred tax consists of

	2007 £	2006 £
Decelerated capital allowances	(21,175)	57,826
Other timing differences	120,259	97,989
Total deferred tax assets	<u>99,084</u>	<u>155,815</u>

From financial year 2008, the UK corporation tax rate will reduce from 30% to 28%. This rate change will affect the amount of future cash tax payments to be made by the company. The deferred tax asset carried forward has been calculated at 28% thereby reducing the size of the company's deferred tax asset in the current year.

Changes to the UK capital allowance regime have also been proposed, the most significant of these changes for the company is the reduction in the rate of capital allowances applicable to plant and machinery expenditure from 25% to 20% per annum on a reducing balance basis from 1 April 2008. The effect on the company of these proposed changes to the UK tax system will be fully reflected in the company's financial statements for the year ending 31 December 2008.

### 9. Dividends

	2007 £	2006 £
<i>Equity dividends on ordinary shares</i>		
Prior year proposed dividends declared and paid in the year	<u>(3,000,000)</u>	<u>(3,000,000)</u>
Proposed dividends at the balance sheet date	<u>500,000</u>	<u>3,000,000</u>



## Notes to the financial statements

at 31 December 2007

### 10. Tangible fixed assets

	<i>Freehold land and buildings</i> £	<i>Plant &amp; machinery</i> £	<i>Fixtures &amp; fittings</i> £	<i>Motor vehicles</i> £	<i>Total</i> £
<i>Cost</i>					
At 1 January 2007	5,563,416	1,332,153	145,304	6,650	7,047,523
Additions	5,549	381,439	6,861	-	393,849
Disposals	-	(175,599)	(79,554)	-	(255,153)
At 31 December 2007	<u>5,568,965</u>	<u>1,537,993</u>	<u>72,611</u>	<u>6,650</u>	<u>7,186,219</u>
<i>Depreciation</i>					
At 1 January 2007	415,170	759,180	91,482	2,168	1,268,000
Provided during the year	171,835	296,853	7,513	2,217	478,418
Disposals	-	(175,599)	(79,554)	-	(255,153)
At 31 December 2007	<u>587,005</u>	<u>880,434</u>	<u>19,441</u>	<u>4,385</u>	<u>1,491,265</u>
<i>Net book value</i>					
At 31 December 2007	<u>4,981,960</u>	<u>657,559</u>	<u>53,170</u>	<u>2,265</u>	<u>5,694,954</u>
At 1 January 2007	<u>5,148,246</u>	<u>572,973</u>	<u>53,822</u>	<u>4,482</u>	<u>5,779,523</u>

Included in the net book value of land and buildings is freehold land at a cost of £1,184,900 (2006 £1,184,900)

### 11. Stocks

	<i>2007</i> £	<i>2006</i> £
Finished goods	<u>2,877,047</u>	<u>1,426,552</u>

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

## Notes to the financial statements

at 31 December 2007

### 12. Debtors

	2007 £	2006 £
Trade debtors	9,661,598	7,855,286
Amounts owed by group undertakings	1,739,233	1,371,586
Other debtors	193,726	64,150
Prepayments and accrued income	173,875	162,472
Deferred taxation (note 8)	99,084	155,815
	<u>11,867,516</u>	<u>9,609,309</u>

### 13. Creditors: amounts falling due within one year

	2007 £	2006 £
Trade creditors	2,378,996	1,177,832
Amounts owed to group undertakings	2,513,558	1,601,410
Corporation tax	73,417	488,264
Other taxation	717,136	1,033,853
Accruals and deferred income	4,266,525	4,438,214
	<u>9,949,632</u>	<u>8,739,573</u>

### 14. Commitments under operating leases

At 31 December 2007 the company had annual commitments under non-cancellable operating leases as set out below

	2007 £	2006 £
<i>Operating leases which expire</i>		
Within one year	74,479	48,996
In two to five years	25,817	13,255
	<u>100,296</u>	<u>62,251</u>

### 15. Related party transactions

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

During the year Brita Water Filter Systems Limited purchased goods from group companies as follows

	2007 £	2006 £
Brita GmbH	23,645,838	20,642,241
Brita AG	1,108,428	334,614
	<u>24,754,266</u>	<u>20,976,855</u>

Exhausted products returned to the immediate parent company, Brita GmbH, for credit, amounted to £359,072 (2006 £279,569) No sales were made to any other group companies during the current or previous year

## Notes to the financial statements

at 31 December 2007

### 15. Related party transactions (continued)

Debtors and creditors include

	<i>Debtors</i> 2007 £	<i>Creditors</i> 2007 £	<i>Debtors</i> 2006 £	<i>Creditors</i> 2006 £
Brita GmbH	95,457	2,376,429	37,472	1,566,788
Brita AG	-	135,568	-	34,622
Brita Spain	-	1,561	-	-
Brita Manufacturing (UK) Limited	1,643,776	-	1,334,114	-
	<u>1,739,233</u>	<u>2,513,558</u>	<u>1,371,586</u>	<u>1,601,410</u>

The amount owed by Brita Manufacturing (UK) Limited, a fellow subsidiary, of £1,643,776 (2006 £1,334,114) bears an annual interest charge of 1.6% above the published one month LIBOR interest rate ruling at the last business day of each month. The interest received during the year amounted to £148,514 (2006 £86,338).

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

### 16. Share capital

		<i>2007</i> £	<i>Authorised</i> 2006 £
Ordinary shares of £1 each		<u>700,000</u>	<u>700,000</u>
	<i>Allotted, called up and fully paid</i>		
	<i>2007</i>		<i>2006</i>
	<i>No</i>	<i>£</i>	<i>No</i>
			<i>£</i>
Ordinary shares of £1 each	700,000	<u>700,000</u>	<u>700,000</u>

### 17. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i> £	<i>Profit and loss</i> <i>account</i> £	<i>Total share-</i> <i>holders' funds</i> £
At 1 January 2006	700,000	12,944,561	13,644,561
Profit for the year	-	2,372,286	2,372,286
Dividends	-	(3,000,000)	(3,000,000)
At 31 December 2006	<u>700,000</u>	<u>12,316,847</u>	<u>13,016,847</u>
Profit for the year	-	811,277	811,277
Dividends	-	(3,000,000)	(3,000,000)
At 31 December 2007	<u>700,000</u>	<u>10,128,124</u>	<u>10,828,124</u>

## Notes to the financial statements

at 31 December 2007

### 18. Notes to the statement of cash flows

#### (a) Reconciliation of operating profit to net cash inflow from operating activities

	2007 £	2006 £
Operating profit	885,243	3,105,434
Depreciation	478,418	482,464
Loss on disposal of fixed assets	-	25,893
Increase in stocks	(1,450,495)	(120,965)
(Increase)/decrease in debtors	(2,166,423)	1,269,864
Increase/(decrease) in creditors	1,624,906	(940,780)
(Gain)/loss on foreign currency retranslation	(6,500)	6,525
Net cash (outflow)/inflow from operating activities	<u>(634,851)</u>	<u>3,828,435</u>

#### (b) Returns on investments and servicing of finance

	2007 £	2006 £
Interest received	264,060	197,207
Interest paid	(6,391)	(7,434)
	<u>257,669</u>	<u>189,773</u>

#### (c) Taxation

	2007 £	2006 £
Corporation tax paid	<u>(838,266)</u>	<u>(910,990)</u>

#### (d) Capital expenditure

	2007 £	2006 £
Payments to acquire tangible fixed assets	<u>(393,849)</u>	<u>(288,897)</u>

#### (e) Analysis of changes in net funds

	At 1 January 2007 £	Cash flows £	Exchange movement £	At 31 December 2007 £
Cash at bank and in hand	4,941,036	(4,609,297)	6,500	338,239
	<u>4,941,036</u>	<u>(4,609,297)</u>	<u>6,500</u>	<u>338,239</u>

## **Notes to the financial statements**

**at 31 December 2007**

### **19. Capital commitments**

Amounts contracted for but not provided in the financial statements amounted to £nil (2006 £nil)

### **20. Ultimate parent company**

The ultimate holding company is Hanvest Holding GmbH, a company incorporated in Germany. The only company in the group preparing consolidated financial statements is Brita GmbH (Brita Water Filter Systems Limited's immediate parent). They are not available to the public.