

Brita Water Filter Systems Limited

Report and Financial Statements

31 December 2011

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COMPANIES HOUSE

Directors

R Belz
M Hankammer
C Seabrook

Secretary

H J Siegrist

Auditors

Ernst & Young LLP
Apex Plaza
Reading RG1 1YE

Bankers

Barclays Bank Plc
1 Churchill Place
London E14 5HP

Solicitors

Hill Hofstetter LLP
Trigen House
Central Boulevard
Blythe Valley Park
Solihull B90 8AB

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 2011

Results and dividends

The profit for the year, after taxation, amounted to £1,409,758 (2010 – profit of £1,921,927) No interim dividends were paid during the year and the directors do not recommend a final dividend is declared for approval at the AGM (2010 - £4,000,000)

Principal activities and review of the business

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

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

	2011 £000	2010 £000	Change
Turnover	44,046	40,853	7.8%
Operating profit	1,989	2,725	(27%)
Market share	82%	78%	+4ppt

Company turnover grew in both divisions. Home division sales were up 7% on 2010. Professional division sales grew by 12%.

Gross margin percentage reduced from 34.5% to 27.9% due to an increase in cost of sales driven by increased in the cost of commodities. This has resulted in a reduction in operating profit of 27%.

A key non-financial measure monitored by the business is Brita's share of the jug waterfilter market and during the year Brita's market share increased to 82%.

Future developments

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

Principal risks and uncertainties

Continuing uncertainty about the strength of the economic recovery meant that trading conditions in 2011 remained challenging. In order to grow profitability close management of costs continued to be a priority.

The main financial risk to which the company is exposed is credit risk.

The company's credit risk covers a wide spectrum, from large retailers to small independent businesses. Standard credit control procedures are applied.

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.

The company has no borrowings.

Directors' report (continued)

Directors

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

D Banfield (resigned 6th July 2011)

R Belz

M Hankammer

C Seabrook (appointed 6th July 2011)

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

Directors' liabilities

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Donations

In January 2012 the Brita Community Fund made a donation of £30,000 to Bardwell School in Bicester. Of this £11,576 was raised through fund raising by Brita employees during 2011 with fund matching by the company, this was to support their project to build a new communication and interaction room for children with varying degrees of disability.

The company contributed towards Hospitality Action, who provides financial support and advice to all who work or have worked within hospitality, donating £1,200 during the year.

The company also continued to contribute to the Gumboots Foundation, which is a charity supporting projects to help alleviate poverty in South Africa, donating £24,000 during the year. The good cause fund, which makes small grants (usually on the basis of recommendation by members of staff) made grants totalling £3,472. Other charitable donations amounted to £378.

Going concern

The company's business activities, together with the factors likely to affect its future development are discussed elsewhere in this report.

The company has no borrowings, is cash generative and has a diversified customer base across its divisions. As a consequence, the directors believe the company is well placed to manage its business risks successfully despite the continuing uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual financial statements.

Directors' report (continued)

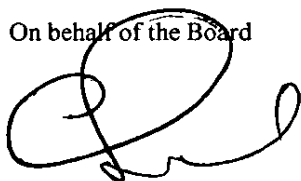
Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is 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



Director CLIVE SEABROOK

Date 21/3/2012

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements 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 are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's 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 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Statement of Cash Flows and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report

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

Matters on which we are required to report by exception

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

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



David Brown (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Reading

Date

7/03/2012

Profit and loss account

for the year ended 31 December 2011

	Notes	2011 £	2010 £
Turnover	2	44,046,139	40,852,977
Cost of sales		31,744,677	26,771,103
Gross profit		12,301,462	14,081,874
Distribution costs		8,313,214	9,338,710
Administrative expenses		1,999,014	2,018,479
Operating profit	3	1,989,234	2,724,685
Interest receivable and similar income	6	10,022	22,404
Interest payable and similar charges	7	1,546	14
		8,476	22,390
Profit on ordinary activities before taxation		1,997,710	2,747,075
Tax on profit on ordinary activities	8	587,952	825,148
Profit for the financial year		1,409,758	1,921,927

All amounts relate to continuing activities

Statement of total recognised gains and losses

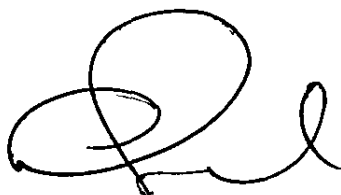
for the year ended 31 December 2011

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £1,409,758 for the year ended 31 December 2011 (2010 – profit of £1,921,927)

Balance sheet

at 31 December 2011

	Notes	2011 £	2010 £
Fixed assets			
Tangible fixed assets	10	5,007,801	5,272,461
Current assets			
Stocks	11	1,181,326	1,493,758
Debtors	12	12,508,306	11,774,902
Cash at bank		5,213,893	6,176,330
		18,903,525	19,444,990
Creditors , amounts falling due within one year	13	13,667,359	11,883,242
Net current assets		5,236,166	7,561,748
Total assets less current liabilities		10,243,967	12,834,209
Capital and reserves			
Called up share capital	14	700,000	700,000
Profit and loss account	15	9,543,967	12,134,209
Shareholders' funds	15	10,243,967	12,834,209



Director *CLIVE SEABROOK*

Date *7/3/2012*

Statement of cash flows

for the year ended 31 December 2011

	Notes	2011 £	2010 £
Net cash inflow from operating activities	16(a)	3,937,637	5,182,661
Returns on investments and servicing of finance	16(b)	8,476	13,374
Taxation	16(c)	(720,580)	(896,870)
Capital expenditure and financial investment	16(d)	(187,970)	(166,215)
Equity dividends paid	9	(4,000,000)	(2,200,000)
(Decrease)/increase in cash		<u>(962,437)</u>	<u>1,932,950</u>
Reconciliation of net cash flow to movement in net funds			
		2011 £	2010 £
(Decrease)/increase in cash		(962,437)	1,932,950
Movement in net funds		<u>(962,437)</u>	<u>1,932,950</u>
Net funds at 1 January	16(e)	6,176,330	4,243,380
Net funds at 31 December	16(e)	<u>5,213,893</u>	<u>6,176,330</u>

Notes to the financial statements

at 31 December 2011

1. Accounting policies

Basis of preparation

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

Tangible fixed assets

All fixed assets are initially recorded at cost

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 8 years
Fixtures and fittings	–	over 10 to 25 years
Computer Equipment	–	over 3 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

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. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer

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 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 2011

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 on a straight line basis over the lease term

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

	2011 £	2010 £
United Kingdom	42,986,662	40,335,597
Rest of World	1,059,477	517,380
	<u>44,046,139</u>	<u>40,852,977</u>

Notes to the financial statements

at 31 December 2011

3. Operating profit

This is stated after charging

	2011 £	2010 £
Auditors' remuneration – audit of the financial statements	42,000	41,815
– taxation services	10,945	9,400
	<u>52,945</u>	<u>51,215</u>
Depreciation of owned fixed assets	446,028	491,539
	<u>446,028</u>	<u>491,539</u>
Loss on disposal of fixed assets	6,602	75,123
	<u>6,602</u>	<u>75,123</u>
Operating lease rentals – plant and machinery	88,263	81,786
	<u>88,263</u>	<u>81,786</u>
Net (gain)/loss on foreign currency translation	(393)	13,685
	<u>(393)</u>	<u>13,685</u>

The foreign currency translation is charged to cost of sales in the profit and loss account

4. Directors' emoluments

	2011 £	2010 £
Aggregate remuneration in respect of qualifying services	69,543	169,617
Aggregate amounts receivable under long term incentive plans	15,662	23,817
	<u>85,205</u>	<u>193,434</u>
	<u>85,205</u>	<u>193,434</u>
Value of company pension contributions to money purchase schemes	7,207	19,579
	<u>7,207</u>	<u>19,579</u>
	<u>7,207</u>	<u>19,579</u>
	2011 No	2010 No
Members of money purchase pension schemes	1	1
	<u>1</u>	<u>1</u>

Certain directors of the company are also directors or officers of other companies within the Brita GmbH group and remunerated by other group companies. These directors' services to the company do not occupy a significant amount of their time. As such these directors do not consider that they receive any remuneration for their incidental services to the company for the years ended 31 December 2010 and 31 December 2011.

Notes to the financial statements

at 31 December 2011

5. Staff costs

	2011 £	2010 £
Wages and salaries	2,906,940	2,881,124
Social security costs	330,348	316,022
Staff pension contributions	215,704	203,275
	<u>3,452,992</u>	<u>3,400,421</u>

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

	2011 No	2010 No
Distribution staff	45	48
Administrative staff	18	20
	<u>63</u>	<u>68</u>

6. Interest receivable and similar income

	2011 £	2010 £
Bank interest receivable	10,022	13,388
Interest receivable from fellow subsidiaries	–	9,016
	<u>10,022</u>	<u>22,404</u>

7. Interest payable and similar charges

	2011 £	2010 £
Bank interest payable	(6)	(14)
Corporation tax interest payable	(1,540)	–
	<u>(1,546)</u>	<u>(14)</u>

Notes to the financial statements

at 31 December 2011

8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2011 £	2010 £
<i>Current tax</i>		
UK corporation tax on profit for the year	583,656	798,129
Adjustments in respect of previous periods	53,625	33,303
Total current tax (note 8(b))	637,281	831,432
<i>Deferred tax</i>		
Originating and reversal of timing differences	(49,536)	(6,284)
Effect of changes in tax rate on opening liability	207	–
	(49,329)	(6,284)
Tax on profit on ordinary activities	587,952	825,148

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is different from the standard rate of corporation tax in the UK of 26.5% (2010 – 28%). The differences are reconciled below

	2011 £	2010 £
Profit on ordinary activities before taxation	1,997,710	2,747,075
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.5% (2010 – 28%)	529,393	769,181
<i>Effects of</i>		
Expenses not deductible for tax purposes	61,169	51,447
Capital allowances in excess of depreciation	(18,556)	1,054
Adjustments in respect of previous periods	53,625	33,303
Other timing differences	11,650	(23,553)
Current tax for the year (note 8(a))	637,281	831,432

Notes to the financial statements

at 31 December 2011

8. Tax (continued)

(c) Provision for deferred tax liability

	£	
At 1 January 2011	(45,449)	
Profit and loss account	49,329	
	<hr/>	
At 31 December 2011	3,880	
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The deferred tax consists of		
	2011	2010
	£	£
Decelerated capital allowances	(89,249)	(95,009)
Other timing differences	93,129	49,560
	<hr/>	<hr/>
Total deferred tax assets/(liabilities)	3,880	(45,449)

The 2010 UK Budget announced that the UK rate of corporation tax will reduce by 1% each year for the next 4 years from 28% to 24% for periods commencing 1 April 2011. In the recent UK budget it was announced that the UK rate of corporation tax would be reduced by 2% from 1 April 2011 (to 26%) and then reduce by 1% each year as previously announced to 23% from 1 April 2014. At the balance sheet date of 31 December 2011, the reduction to 25% had been substantively enacted, therefore any deferred tax liability has been recognised at a rate of 25%.

The effect on the Company of the future reductions in the rate will be reflected in the Company's financial statements in future years, as appropriate, once the proposals have been substantively enacted.

The potential impact of the reduction in rate on the deferred tax liability in respect of accelerated capital allowances is £7,140 and on the deferred tax asset in respect of other timing differences is £8,568.

9. Dividends

	2011	2010
	£	£
Equity dividends on ordinary shares		
Prior year proposed dividends declared and paid in the year	4,000,000	2,200,000

Notes to the financial statements

at 31 December 2011

10. Tangible fixed assets

	<i>Freehold land and buildings</i>	<i>(restated) Plant and machinery</i>	<i>(restated) Fixtures and fittings</i>	<i>Motor vehicles</i>	<i>Total</i>
	£	£	£	£	£
Cost					
At 1 January 2011	5,628,273	1,940,620	108,427	6,650	7,683,970
Additions	–	187,970	–	–	187,970
Disposals	–	(306,901)	–	(6,650)	(313,551)
At 31 December 2011	5,628,273	1,821,689	108,427	–	7,558,389
Depreciation					
At 1 January 2011	1,126,157	1,233,005	45,697	6,650	2,411,509
Provided during the year	178,357	256,801	10,870	–	446,028
Disposals	–	(300,299)	–	(6,650)	(306,949)
At 31 December 2011	1,304,514	1,189,507	56,567	–	2,550,588
Net book value					
At 31 December 2011	4,323,759	632,182	51,860	–	5,007,801
At 1 January 2011	4,502,116	730,325	40,020	–	5,272,461

Included in the net book value of land and buildings is freehold land at a cost of £1,189,773 (2010 – £1,189,773)

Included in Plant and Machinery is computer equipment and software with a net book value of £311,907 (2010 £359,900)

The restatement included within Plant and Machinery and Fixtures and Fittings relates to a reclassification of the earlier years' depreciation (of £22,710) for an asset reclassified in 2010

11. Stocks

	<i>2011</i>	<i>2010</i>
	£	£
Finished goods	1,181,326	1,493,758

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

Notes to the financial statements

at 31 December 2011

12. Debtors

	2011 £	2010 £
Trade debtors	11,611,834	11,058,806
Amounts owed by group undertakings	523,900	394,665
Other debtors	162,610	115,766
Prepayments and accrued income	206,082	205,665
Deferred taxation (note 8 (c))	3,880	–
	<u>12,508,306</u>	<u>11,774,902</u>

13. Creditors: amounts falling due within one year

	2011 £	2010 £
Trade creditors	1,978,310	1,437,708
Amounts owed to group undertakings	4,555,662	3,523,122
Corporation tax	351,719	435,019
Other taxation	473,861	584,891
Accruals and deferred income	6,307,807	5,857,053
Deferred taxation (note 8 (c))	–	45,449
	<u>13,667,359</u>	<u>11,883,242</u>

14. Issued share capital

	No	2011 £	No	2010 £
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	700,000	700,000	700,000	700,000
	<u>700,000</u>	<u>700,000</u>	<u>700,000</u>	<u>700,000</u>

Notes to the financial statements

at 31 December 2011

15. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital £</i>	<i>Profit and loss account £</i>	<i>Total share- holders' funds £</i>
At 1 January 2010	700,000	12,412,282	13,112,282
Profit for the year	–	1,921,927	1,921,927
Dividends	–	(2,200,000)	(2,200,000)
At 1 January 2011	700,000	12,134,209	12,834,209
Profit for the year	–	1,409,758	1,409,758
Dividends	–	(4,000,000)	(4,000,000)
At 31 December 2011	700,000	9,543,967	10,243,967

Notes to the financial statements

at 31 December 2011

16. Notes to the statement of cash flows

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

	2011 £	2010 £
Operating profit	1,989,234	2,724,685
Depreciation	446,028	491,539
Loss on disposal of fixed assets	6,602	75,123
Decrease/(increase) in stocks	312,432	(455,394)
(Increase) in debtors	(729,522)	(578,041)
Increase in creditors	1,912,863	2,924,749
Net cash inflow from operating activities	3,937,637	5,182,661

(b) Returns on investments and servicing of finance

	2011 £	2010 £
Interest received	10,022	13,388
Interest paid	(1,546)	(14)
	8,476	13,374

(c) Taxation

	2011 £	2010 £
Corporation tax paid	(720,580)	(896,870)

(d) Capital expenditure

	2011 £	2010 £
Payments to acquire tangible fixed assets	(187,970)	(166,215)

(e) Analysis of changes in net funds

	At 1 January 2011 £	Cash out flows £	At 31 December 2011 £
Cash at bank and in hand	6,176,330	(962,437)	5,213,893

Notes to the financial statements

at 31 December 2011

17. Other financial commitments

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as set out below

	2011 £	2010 £
Operating leases which expire		
Within one year	14,193	4,076
In two to five years	64,147	68,740
	<u>78,340</u>	<u>72,816</u>

18. Related party transactions

The company is a wholly owned subsidiary of Brita GmbH. Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with wholly owned fellow subsidiary companies of the Brita GmbH Group.

19. Ultimate parent undertaking and controlling party

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