

Registered No: 2700375

Brita Water Filter Systems Limited

Report and Financial Statements

31 December 2008

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COMPANIES HOUSE

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 2008.

Results and dividends

The profit for the year, after taxation, amounted to £1,530,522 (2007: profit of £811,277). No interim dividends were paid during the year (2007: £nil) and the directors recommend a final dividend of £1,000,000 be declared for approval at the AGM (2007: £500,000).

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:

| | 2008 £'000 | 2007 £'000 | Change % |
|--------------------|---------------|---------------|-------------|
| Turnover | 38,285 | 37,901 | 1% |
| Operating profit | 2,135 | 885 | 141% |
| Free cash flow | 1,668 | (1,305) | 228% |
| Market penetration | 24% | 24% | |
| Market share | 75% | 75% | |

Company turnover grew by £0.38 million during 2008. Consumer division sales were slightly up on 2007 supported by strong growth in the new Inline product. The number of companies forming partnerships with BRITA to add water filtration to their domestic appliances continues to grow, increasing the future market opportunity in this area. Professional division sales were down 2%.

Operating profit increased compared to 2007. This was despite the impact of significant stock reductions of our products by both the retail trade and business customers and also the losses incurred following the failure of two large UK retailers.

Distribution and administrative expenses grew by 7% with significant investment in the InlineTap product, additional project costs relating to a new SAP CRM system for the Professional division, and higher debtor provisions to reflect the current economic climate.

Free cash flow was positive in the year assisted by a significant repayment of the inter company loan by Brita Manufacturing (UK) Ltd. and also a large decrease in inventories compared to last year.

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's market share was also maintained at 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

The trading environment remained demanding during 2008. The company continued to focus on cost control. Customer service remains a key differentiator from our competitors and the investment in SAP CRM noted above will help maintain our competitive advantage in this area.

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 has been 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 has been 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. The extreme devaluation of sterling during 2008 (in particular during the last quarter) meant the company was unable to achieve this objective this year.

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.

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 2008 of derivatives held by the business was as follows:

Foreign exchange options: £96,355 unrealised loss (2007 £58,299 unrealised gain)

The options at the end of 2008 expire throughout 2009. The outcomes are dependent, amongst other things, on exchange rates prevailing in the month before expiry. In the opinion of the directors it is unlikely that the unrealised loss will be realised. At the end of May 2009 the unrealised loss had reduced to £5,361 and the movements in exchange rate required to realise this loss are considered extremely unlikely.

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' 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 directors' report.

Directors' report (continued)

Donations

During 2008 the company continued to sponsor the TRY programme, which has introduced more than eighteen thousand children to the sport of rugby. Total sponsorship in 2008 amounted to £5,559. The company also began sponsoring the Gumboots Foundation, which is a charity supporting projects in South Africa to help alleviate poverty. The total sponsorship during 2008 amounted to £16,000. During 2008 the company saved money by holding their year end conference in-house. These savings were donated to Water Aid, a charity which helps to provide cleaner drinking water in poorer countries. The amount donated in 2008 was £2,500. 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 £3,300. Other charitable donations amounted to £852.

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 has remained 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

Date: 24th June 2009

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 2008 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 19. 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 2008 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

Ernst & Young LLP
Registered auditor
Reading

Date: *3 July 2009*

Profit and loss account for the year ended 31 December 2008

| | Note | 2008 £ | 2007 £ |
|--|------|------------|------------|
| Turnover | 2 | 38,285,395 | 37,901,336 |
| Cost of sales | | 23,494,646 | 25,199,056 |
| Gross profit | | 14,790,749 | 12,702,280 |
| Distribution costs | | 10,287,802 | 9,537,393 |
| Administrative expenses | | 2,367,898 | 2,279,644 |
| Operating profit | 3 | 2,135,049 | 885,243 |
| Interest receivable | 6 | 140,011 | 412,574 |
| Interest payable and similar charges | 7 | (19,566) | (6,391) |
| | | 120,445 | 406,183 |
| Profit on ordinary activities before taxation | | 2,255,494 | 1,291,426 |
| Tax on profit on ordinary activities | 8 | 724,972 | 480,149 |
| Profit on ordinary activities after taxation | | 1,530,522 | 811,277 |

All amounts relate to continuing operations.

Statement of total recognised gains and losses for the year ended 31 December 2008

There are no recognised gains or losses other than the profit of £1,530,522 attributable to the shareholders for the year ended 31 December 2008 (2007: profit of £811,277).

Balance sheet

at 31 December 2008

| | Note | 2008 £ | 2007 £ |
|---|------|------------|------------|
| Fixed assets | | | |
| Tangible assets | 10 | 5,598,934 | 5,694,954 |
| Current assets | | | |
| Stocks | 11 | 1,525,090 | 2,877,047 |
| Debtors | 12 | 11,273,048 | 11,867,516 |
| Cash at bank | | 2,714,550 | 338,239 |
| | | 15,512,688 | 15,082,802 |
| Creditors: amounts falling due within one year | 13 | 9,252,976 | 9,949,632 |
| Net current assets | | 6,259,712 | 5,133,170 |
| Total assets less current liabilities | | 11,858,646 | 10,828,124 |
| Capital and reserves | | | |
| Called up share capital | 16 | 700,000 | 700,000 |
| Profit and loss account | 17 | 11,158,646 | 10,128,124 |
| Shareholders' funds | 17 | 11,858,646 | 10,828,124 |

Approved by the Board



 D Banfield
 Director

Date: 24th June 2009

Statement of cash flows

for the year ended 31 December 2008

| | <i>Note</i> | <i>2008</i> £ | <i>2007</i> £ |
|--|-------------|------------------|--------------------|
| Net cash inflow/(outflow) from operating activities | 18(a) | 3,639,757 | (634,851) |
| Returns on investments and servicing of finance | 18(b) | 88,498 | 257,669 |
| Taxation | 18(c) | (510,497) | (838,266) |
| Capital expenditure and financial investment | 18(d) | (341,447) | (393,849) |
| Equity dividends paid | | (500,000) | (3,000,000) |
| Increase/(Decrease) in cash | | <u>2,376,311</u> | <u>(4,609,297)</u> |

Reconciliation of net cash flow to movement in net funds

| | | <i>2008</i> £ | <i>2007</i> £ |
|-----------------------------|-------|------------------|--------------------|
| Increase/(Decrease) in cash | | 2,376,311 | (4,609,297) |
| Translation differences | | - | 6,500 |
| Movement in net funds | | <u>2,376,311</u> | <u>(4,602,797)</u> |
| Net funds at 1 January | 18(e) | <u>338,239</u> | <u>4,941,036</u> |
| Net funds at 31 December | 18(e) | <u>2,714,550</u> | <u>338,239</u> |

Notes to the financial statements

at 31 December 2008

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 2008

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:

| | 2008 £ | 2007 £ |
|----------------|-------------------|-------------------|
| United Kingdom | 37,836,195 | 37,573,293 |
| Rest of World | 449,200 | 328,043 |
| | <u>38,285,395</u> | <u>37,901,336</u> |

3. Operating profit

This is stated after charging/(crediting):

| | 2008 £ | 2007 £ |
|--|----------------|-----------------|
| Auditors' remuneration - audit of the financial statements | 43,200 | 37,700 |
| - taxation services | 7,330 | 9,300 |
| | <u>437,467</u> | <u>478,418</u> |
| Depreciation of owned fixed assets | 437,467 | 478,418 |
| | <u>93,076</u> | <u>88,575</u> |
| Operating lease rentals - plant and machinery | 93,076 | 88,575 |
| | <u>391,275</u> | <u>(34,116)</u> |
| Net loss/(gain) on foreign currency translation | 391,275 | (34,116) |

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

Notes to the financial statements

at 31 December 2008

4. Staff costs

| | 2008 £ | 2007 £ |
|-----------------------------|------------------|------------------|
| Wages and salaries | 3,499,910 | 3,314,916 |
| Social security costs | 382,914 | 363,508 |
| Staff pension contributions | 184,464 | 193,060 |
| | <u>4,067,288</u> | <u>3,871,484</u> |

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

| | 2008 No. | 2007 No. |
|----------------------|-------------|-------------|
| Distribution staff | 63 | 58 |
| Administrative staff | 26 | 28 |
| | <u>89</u> | <u>86</u> |

5. Directors' emoluments

| | 2008 £ | 2007 £ |
|--|----------------|----------------|
| Emoluments | <u>154,248</u> | <u>150,637</u> |
| Value of company pension contributions to money purchase schemes | <u>17,570</u> | <u>16,991</u> |
| | 2008 No. | 2007 No. |
| Members of money purchase pension schemes | <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 2007 and 31 December 2008.

Notes to the financial statements

at 31 December 2008

6. Interest receivable

| | 2008 £ | 2007 £ |
|--|----------------|----------------|
| Bank interest receivable | 82,953 | 264,000 |
| Interest receivable from fellow subsidiaries | 50,764 | 148,514 |
| Corporation tax interest receivable | 6,064 | 60 |
| Other interest receivable | 230 | — |
| | <u>140,011</u> | <u>412,574</u> |

7. Interest payable and similar charges

| | 2008 £ | 2007 £ |
|---|---------------|--------------|
| Bank interest payable | 749 | 3,978 |
| Interest payable to fellow subsidiaries | 18,817 | — |
| Other similar charges payable | — | 2,413 |
| | <u>19,566</u> | <u>6,391</u> |

8. Taxation on ordinary activities

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

| | 2008 £ | 2007 £ |
|--|----------------|----------------|
| <i>Current tax:</i> | | |
| UK corporation tax on profits of the period | 688,940 | 414,118 |
| Adjustments in respect of previous periods | (44,442) | 9,300 |
| Total current tax (note 8(b)) | <u>644,498</u> | <u>423,418</u> |
| <i>Deferred tax:</i> | | |
| Originating and reversal of timing differences | 80,499 | 56,731 |
| Effect of changes in tax rate on opening liability | (25) | — |
| Tax on profit on ordinary activities | <u>724,972</u> | <u>480,149</u> |

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is different from the effective rate of corporation tax in the UK of 28.5% (2007: 30%). The differences are reconciled below:

| | 2008 £ | 2007 £ |
|--|------------------|------------------|
| Profit on ordinary activities before taxation | <u>2,255,494</u> | <u>1,291,426</u> |
| Profit on ordinary activities multiplied by effective rate of corporation tax in the UK of 28.5% (2007: 30%) | 642,816 | 387,428 |
| <i>Effects of:</i> | | |
| Expenses not deductible for tax purposes | 28,689 | (32,642) |
| Capital allowances in excess of depreciation | (8,128) | 28,307 |
| Adjustments in respect of previous periods | (44,442) | 9,300 |
| Other timing differences | 25,563 | 31,025 |
| Total current tax (note 8(a)) | <u>644,498</u> | <u>423,418</u> |

Notes to the financial statements

at 31 December 2008

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 2008 | 99,084 |
| Profit and loss account | 17,128 |
| Adjustments to prior year in respect of bonus payments and capital allowances | (97,602) |
| At 31 December 2008 | <u>18,610</u> |

The deferred tax consists of:

| | 2008 £ | 2007 £ |
|--------------------------------|---------------|---------------|
| Decelerated capital allowances | (88,862) | (21,175) |
| Other timing differences | 107,472 | 120,259 |
| Total deferred tax assets | <u>18,610</u> | <u>99,084</u> |

From financial year 2008, the UK corporation tax rate reduced from 30% to 28%. This rate change affected the amount of future cash tax payments to be made by the company. The deferred tax asset brought and carried forward has been calculated at 28%.

From 1 April 2008, the rate of capital allowances reduced from 25% to 20% and the rate of industrial buildings allowances reduced from 4% to 3%.

9. Dividends

| | 2008 £ | 2007 £ |
|---|-----------|-----------|
| <i>Equity dividends on ordinary shares:</i> | | |
| Prior year proposed dividends declared and paid in the year | 500,000 | 3,000,000 |
| Proposed dividends at the balance sheet date | — | 500,000 |

Subsequent to the balance sheet date a dividend of £1,000,000 has been proposed.

Notes to the financial statements

at 31 December 2008

10. Tangible fixed assets

| | <i>Freehold land and buildings £</i> | <i>Plant & machinery £</i> | <i>Fixtures & fittings £</i> | <i>Motor vehicles £</i> | <i>Total £</i> |
|--------------------------|--|--|--|---------------------------------|--------------------|
| <i>Cost:</i> | | | | | |
| At 1 January 2008 | 5,568,965 | 1,537,993 | 72,611 | 6,650 | 7,186,219 |
| Additions | – | 332,056 | 9,391 | – | 341,447 |
| At 31 December 2008 | <u>5,568,965</u> | <u>1,870,049</u> | <u>82,002</u> | <u>6,650</u> | <u>7,527,666</u> |
| <i>Depreciation:</i> | | | | | |
| At 1 January 2008 | 587,005 | 880,434 | 19,441 | 4,385 | 1,491,265 |
| Provided during the year | 176,995 | 250,687 | 7,913 | 1,872 | 437,467 |
| At 31 December 2008 | <u>764,000</u> | <u>1,131,121</u> | <u>27,354</u> | <u>6,257</u> | <u>1,928,732</u> |
| <i>Net book value:</i> | | | | | |
| At 31 December 2008 | <u>4,804,965</u> | <u>738,928</u> | <u>54,648</u> | <u>393</u> | <u>5,598,934</u> |
| At 1 January 2008 | <u>4,981,960</u> | <u>657,559</u> | <u>53,170</u> | <u>2,265</u> | <u>5,694,954</u> |

Included in the net book value of land and buildings is freehold land at a cost of £1,184,900 (2007: £1,184,900).

11. Stocks

| | <i>2008 £</i> | <i>2007 £</i> |
|----------------|-------------------|-------------------|
| Finished goods | <u>1,525,090</u> | <u>2,877,047</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 2008

12. Debtors

| | 2008 £ | 2007 £ |
|------------------------------------|-------------------|-------------------|
| Trade debtors | 9,993,900 | 9,661,598 |
| Amounts owed by group undertakings | 370,916 | 1,739,233 |
| Other debtors | 589,396 | 193,726 |
| Prepayments and accrued income | 300,226 | 173,875 |
| Deferred taxation (note 8) | 18,610 | 99,084 |
| | <u>11,273,048</u> | <u>11,867,516</u> |

13. Creditors: amounts falling due within one year

| | 2008 £ | 2007 £ |
|------------------------------------|------------------|------------------|
| Trade creditors | 2,630,316 | 2,378,996 |
| Amounts owed to group undertakings | 899,688 | 2,513,558 |
| Corporation tax | 207,418 | 73,417 |
| Other taxation | 904,483 | 717,136 |
| Accruals and deferred income | 4,611,071 | 4,266,525 |
| | <u>9,252,976</u> | <u>9,949,632</u> |

14. Commitments under operating leases

At 31 December 2008 the company had annual commitments under non-cancellable operating leases as set out below:

| | 2008 £ | 2007 £ |
|--------------------------------------|---------------|----------------|
| <i>Operating leases which expire</i> | | |
| Within one year | 27,835 | 74,479 |
| In two to five years | 26,859 | 25,817 |
| | <u>54,694</u> | <u>100,296</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:

| | 2008 £ | 2007 £ |
|------------|-------------------|-------------------|
| Brita GmbH | 17,930,676 | 23,645,838 |
| Brita AG | 1,680,605 | 1,108,428 |
| | <u>19,611,281</u> | <u>24,754,266</u> |

Exhausted products returned to the immediate parent company, Brita GmbH, for credit, amounted to £632,098 (2007: £359,072). No sales were made to any other group companies during the current or previous year.

Notes to the financial statements

at 31 December 2008

15. Related party transactions (continued)

Debtors and creditors include:

| | <i>Debtors 2008 £</i> | <i>Creditors 2008 £</i> | <i>Debtors 2007 £</i> | <i>Creditors 2007 £</i> |
|----------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|
| Brita GmbH | 156,061 | 806,225 | 95,457 | 2,376,429 |
| Mavea LLC | 94 | — | — | — |
| Brita AG | — | 93,463 | — | 135,568 |
| Brita Spain | — | — | — | 1,561 |
| Brita Manufacturing (UK) Limited | 214,761 | — | 1,643,776 | — |
| | <u>370,916</u> | <u>899,688</u> | <u>1,739,233</u> | <u>2,513,558</u> |

The amount owed by Brita Manufacturing (UK) Limited, a fellow subsidiary, of £214,761 (2007: £1,643,776) 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 £50,764 (2007: £148,514).

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

16. Share capital

| | | <i>2008 £</i> | <i>Authorised 2007 £</i> |
|----------------------------|---|-------------------|----------------------------------|
| Ordinary shares of £1 each | | <u>700,000</u> | <u>700,000</u> |
| | | | |
| | <i>Allotted, called up and fully paid</i> | | |
| | <i>2008</i> | <i>2007</i> | |
| | <i>No.</i> | <i>£</i> | <i>No.</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 account £</i> | <i>Total share- holders' funds £</i> |
|---------------------|----------------------------|--|--|
| At 31 December 2006 | 700,000 | 12,316,847 | 13,016,847 |
| 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> |
| Profit for the year | — | 1,530,522 | 1,530,522 |
| Dividends | — | (500,000) | (500,000) |
| At 31 December 2008 | <u>700,000</u> | <u>11,158,646</u> | <u>11,858,646</u> |

Notes to the financial statements

at 31 December 2008

18. Notes to the statement of cash flows

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

| | 2008 £ | 2007 £ |
|---|------------------|------------------|
| Operating profit | 2,135,049 | 885,243 |
| Depreciation | 437,467 | 478,418 |
| Decrease/(increase) in stocks | 1,351,957 | (1,450,495) |
| Decrease/(increase) in debtors | 564,758 | (2,166,423) |
| (Decrease)/increase in creditors | (849,474) | 1,624,906 |
| Less gain on foreign currency retranslation | — | (6,500) |
| Net cash inflow/(outflow) from operating activities | <u>3,639,757</u> | <u>(634,851)</u> |

(b) Returns on investments and servicing of finance

| | 2008 £ | 2007 £ |
|-------------------|---------------|----------------|
| Interest received | 89,247 | 264,060 |
| Interest paid | (749) | (6,391) |
| | <u>88,498</u> | <u>257,669</u> |

(c) Taxation

| | 2008 £ | 2007 £ |
|----------------------|------------------|------------------|
| Corporation tax paid | <u>(510,497)</u> | <u>(838,266)</u> |

(d) Capital expenditure

| | 2008 £ | 2007 £ |
|---|------------------|------------------|
| Payments to acquire tangible fixed assets | <u>(341,447)</u> | <u>(393,849)</u> |

(e) Analysis of changes in net funds

| | At 1 January 2008 £ | Cash flows £ | Exchange movement £ | At 31 December 2008 £ |
|--------------------------|------------------------------|------------------|---------------------------|--------------------------------|
| Cash at bank and in hand | 338,239 | 2,376,311 | — | 2,714,550 |
| | <u>338,239</u> | <u>2,376,311</u> | <u>—</u> | <u>2,714,550</u> |

Notes to the financial statements

at 31 December 2008

19. 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) and controlling party; these accounts are not available to the public.