Company Registration Number: 2700375

Brita Water Filter Systems Limited

Annual Report and Financial Statements

31 December 2018

Contents of the Financial Statements

for the year ended 31 December 2018

Company Information

Directors
M Hankammer
S Taylor
M Kirschner (Resigned 8 Mar 2018)
N Whitfield (Appointed 1 Feb 2018)

Secretary
H J Siegrist

Auditors
Ernst & Young LLP
Apex Plaza
Reading RG1 1YE

Bankers
Barclays Bank Plc
1 Churchill Place
London E14 5HP

HSBC Bank Plc
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HSBC Trinkaus & Burkhardt AG
Postfach 10 11 08
40002 Dusseldorf

Solicitors
Fieldfisher LLP
Aspen House
Central Boulevard
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Solihull
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Registered Office
Brita House
9 Granville Way
Bicester
Oxfordshire
OX26 4JT

Strategic Report

The Directors present their strategic report for the year ended 31 December 2018.

Review of the business

The principal activity of the Company during the year was the production and sale of water filtration products. The Company has two main divisions. The Consumer division comprises the sale of products such as water jugs, kettles, bottles and taps. The professional division comprises the sale of professional filters used in coffee machines, vending machines and professional ovens.

Results and Performance

For the 2018 Financial Statements IFRS 15 (Revenue Recognition) has been adopted.

The results of the Company for the year, as set out on page 12, show a profit on ordinary activities before tax of £3,636,824 (2017: £3,283,259). The shareholders' funds of the Company total £14,108,813 (2017: £13,284,677).

Following 2017, a year disrupted by the after effects of the Brexit vote and a realignment of the business strategy across Europe, 2018 was a calmer year despite the continuing uncertainty over the impact of Brexit on the economy.

For the Fill & Filter (F&F) (Consumer – Pour through) sub-division a recovery in volumes was expected and to a large extent realised. Collaborative relationships were resumed with our key customers and prices were broadly maintained despite the continuing competitive challenges of the UK market place. 2019 has started in line with plan and the business is considering increased marketing investment to grow household penetration.

Despite a strong start to the year, for the Professional filter business the loss of a larger customer meant the business performed well to end only slightly behind the revenue plan for the full year.

The smaller Connect and Filter (Consumer - Tap) sub-division maintained its simplified offering but continued to grow profitably in 2018.

Business Environment

Despite the uncertainty caused by Brexit, the UK economy continued to perform relatively well. Over the year the Euro exchange rate remained stable at 88p to the Euro and going into 2019 sterling has started to strengthen as we approach Brexit. Stabilisation, at this level, or further sterling strengthening, would be positive for the business in the midterm.

The Directors have put in place plans to minimise any disruption to UK supply caused by Brexit by building inventories in the early months of 2019. The Directors, believe these measures are adequate to achieve continuity of supply to the UK market barring a very protracted Brexit process combined with extreme friction at the UK border following Brexit.

Strategic Report (continued)

Key Performance Indicators ('KPIs')

The Board monitors the progress of the Company by reference to the following KPIs:

	2018 £	2017 £	Change
Revenue	50,401,238	44,461,971	13.4%
Intercompany Revenue	17,918,051	18,362,027	(2.4)%
Total Revenue	68,319,289	62,823,998	8.7%
Gross margin	21.7%	22.8%	(1.1) ppt
Operating profit	3,646,442	3,309,916	10.2%
Market share	76.0%	79.9%	(3.9) ppt

KPI's are monitored at monthly management meetings and as part of regular forecasting and planning activities as well as at quarterly business reviews with the BRITA Group Regional Management.

Company revenue (excluding intercompany sales) increased by 13.4%. Consumer division sales increased by 17.6% on 2017. This was the net result of the strategic changes outlined above.

Professional division sales increased by 2.4% on 2017. This growth was broadly based across the different B2B customer segments.

Gross margin percentage decreased from 22.8% to 21.7%. Excluding intercompany sales, gross margin percentage decreased from 32.9% to 28.4%.

Company operating profit as a percentage of sales tends to be stable at around the current 5.34% (2017: 5.27%) of sales due to our transfer pricing policy.

A key non-financial measure monitored by the business is Brita's share of the jug water filter market and during the year Brita's market share decreased from 79.9% to 76.0%. This is calculated using data from a third party marketing research company.

Principal risks and uncertainties

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 with regular checks on payment history and checks to ensure credit worthiness using credit reference agencies. The Company is also exposed to interest rate and liquidity risk but these are considered to be low risks due to the generally low level of any borrowings. Any short term working capital needs can be covered by interest bearing loans from the Company's parent, Brita GmbH. The sensitivity of profits to fluctuations in interest on short term borrowings or deposits is not considered material by the Directors.

The Company has no third party borrowings. Should any unanticipated need for funding arise the Company is able to borrow funds from its immediate parent company Brita GmbH, which is willing and able to provide support. At the balance sheet date the Company had an intercompany borrowing of £nil (2017: £nil), and an intercompany working capital balance of £3.4m (2017:£4.1m).

This year it is difficult to quantify the risk due to the ongoing Brexit negotiations, which at the time of signing these Financial Statements is still unresolved. The main risk identified is of disruption to the supply chain, and hence potentially to sales, caused by a disorderly Brexit. Management continues to monitor the situation and put in place countermeasures wherever these are considered cost effective.

Strategic Report (continued)

Principal risks and uncertainties (continued)
The Company understands its duty of care to secure and protect the Health & Safety of its employees and to reduce the environmental impact of its operations. The safety of our employees is paramount to our continued success and any shortfalls could carry significant reputational and legal risks

There are a number of businesses that provide products that are similar to those of the Company and could therefore compete in one or more of our chosen markets. Increased competition could affect our ability to meet our expectations and objectives for the business. The market and the activities of other participants are regularly reviewed to ensure that the strategies and offerings of current and potential competitors are fully understood. Both qualitative and quantitative research is undertaken to ensure that our products continue to meet the needs of our customers whilst retaining a competitive position in the market.

The majority of transactions in the company are conducted in Sterling, however certain customers and raw material suppliers trade with the company in Euros and more recently US Dollars. Historically Euro liabilities exceeded Euro receivables, however going forward these are expected to be broadly in balance. However due to a key raw material supplier changing to billing us in US Dollars (from Euros) in July 2018, the company expects to be a net purchaser of US Dollars in the future, with the current estimate being USD 3 to 4 million per annum.

The strategic report was approved by the Board of Directors and authorised for issue on 14 August 2019. It was signed on behalf of the Board of Directors by:

....

S Taylor
Director

14 August 2019

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2018.

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.

In 2019 the company will continue to promote the health and environmental benefit of our products and to campaign for a reduction in the use of single use plastic bottles by working closely with our key strategic partners.

The Professional division will continue to look for further growth opportunities in coffee, catering and vending, providing water filtration solutions that add value to the end customer and consumer.

Going concern

The Directors have reviewed the Company's budgets, forecasts and cash flows and have concluded that they have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements. The Company has a £4 million facility (Promissory Demand Note or PDN) with its parent Company and this has been extended to £6 million pounds until the end of July 2020 to cover the additional requirements of managing Brexit. The maximum drawing in 2019 up to the signing of the accounts was £5.5 million following a planned growth in inventory at the end of March 2019, the originally planned Brexit date. A further peak drawing is expected during November 2019 following a further stock build for the revised Brexit date of end of October 2019.

Events after the Balance Sheet Date

There have been no significant events after the Balance Sheet date requiring adjustment to these Financial Statements.

Financial instruments

The Company finances its activities with the cash it generates. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities.

Financial instruments give rise to foreign currency, interest rate, credit and liquidity risk. Information on how these risks arise is set out in note 19, as are the objectives, policies and processes for their management and the methods used to measure each risk.

Modern Slavery Act 2015

The Company believes in conducting its business in an ethical manner and is subject to a number of ethical audits from our customers in the course of a year. A statement on modern slavery was approved by the BRITA Group on the 25th April 2018 and published on the sustainability section of the Company's website.

Dividends

Dividends were paid in the year to the amount of £2,000,000 (2017: £nil) and the Directors do not recommend a final dividend be declared for approval at the AGM (2017: £nil).

Directors' Report (continued)

Directors

The names of the Directors who served during the year and up to the date of this report are set out on page 2 of these financial statements.

The Company is a wholly owned subsidiary of Brita GmbH. M Hankammer is a Director of the parent undertaking.

Charitable contributions

In 2018 the Company continued to contribute to the Gumboots Foundation, which is a charity supporting projects to help alleviate poverty in South Africa, donating £24,000 (2017: £24,000) during the year.

The Company donated £5,000 equally between the following three charities: Hummingbird Centre, Puzzle Centre and Help for Heroes (2017: £5,000).

Also in 2018 the Company contributed to the Whale and Dolphin Conservation, which is a charity supporting the global action to protect whales and dolphins, donating £15,000 (2017: £25,000) during the year.

Other donations to various charities in the year amounted to £5,336 (2017: £5,000).

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.

Disclosure of information to the auditor

So far as each person who was a Director at the date of approving this report are aware, there is no relevant audit information, being information needed by the auditor in connection with preparing this 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.

Auditor

In accordance with s.485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for the re-appointment of Ernst & Young LLP as auditors.

The accounts were approved by the Board of Directors and authorised for issue on 14 August 2019. They were signed on behalf of the Board of Directors by:

S Taylor
Director

14 August 2019

Directors' Responsibilities Statement

The Directors are responsible for preparing the Strategic Report, the Directors' 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 International Financial Reporting Standards as adopted by the European Union. 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 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; and
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate 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

Opinion

We have audited the financial statements of Brita Water Filter Systems Limited for the year ended 31 December 2018 which comprise the Statement of Profit and Loss Account and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and the related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Independent Auditor's Report (continued)

to the members of Brita Water Filter Systems Limited

Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

- adequate accounting records have not been kept, 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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are

Independent Auditor's Report (continued)

to the members of Brita Water Filter Systems Limited

Auditor's responsibilities for the audit of the financial statements (continued)

considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Ernst & Young LLP

Evangelos Gkirtsos (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

Reading

14 August 2019

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2018

	Notes	2018 £	2017 £
Revenue from contracts with customers	4	68,319,289	62,823,998
Cost of sales		(53,470,064)	(48,477,801)
Gross profit		14,849,225	14,346,197
Selling and distribution expenses		(8,623,648)	(8,483,247)
Administrative expenses		(2,579,135)	(2,553,034)
Operating profit	5	3,646,442	3,309,916
Finance income	7	14,540	2,667
Finance costs	8	(24,158)	(29,324)
Profit before tax		3,636,824	3,283,259
Income tax expenses	9	(812,688)	(610,643)
Profit for the year, being attributable to owners of the parent		2,824,136	2,672,616
Other comprehensive income		-	-
Total comprehensive income for the year, being attributable to owners of the parent		2,824,136	2,672,616

The results have been derived wholly from continuing activities.

Statement of Financial Position

at 31 December 2018

	Notes	2018 £	2017 £
Non-current assets			
Intangible assets	10	335,629	408,806
Property, plant and equipment	11	4,256,944	4,381,287
		4,592,573	4,790,093
Current assets			
Inventories	12	2,661,951	2,521,300
Trade and other receivables	13	13,952,313	12,256,742
Receivables from group companies	13	1,799,548	2,335,376
Cash and cash equivalents	14	3,601,057	3,795,310
		22,014,869	20,908,728
Total assets		26,607,442	25,698,821
Equity			
Share capital	20	700,000	700,000
Merger reserve	21	(2,100,643)	(2,100,643)
Retained earnings		15,509,456	14,685,320
Total equity		14,108,813	13,284,677
Non-current liabilities			
Deferred tax liabilities	9, 15	271,765	377,303
Current liabilities			
Trade and other payables	16	11,403,875	11,541,725
Provisions	18	205,000	205,000
Current tax liabilities		617,989	290,116
		12,226,864	12,036,841
Total liabilities		12,498,629	12,414,144
Total equity and liabilities		26,607,442	25,698,821

The Statement of Financial Position of Brita Water Filter Systems Limited and the accompanying notes, which form an integral part of the financial statements, were approved by the Board of Directors on 14 August 2019. They were signed on behalf of the Board of Directors by:

S Taylor
Director

Statement of Changes in Equity

for the year ended 31 December 2018

	Share capital	Merger reserve	Retained earnings	Total equity
	Equity attributable to owners of the parent			
	£	£	£	£
	Note 20	Note 21		
Balance at 1 January 2017	700,000	(2,100,643)	12,012,704	10,612,061
Total comprehensive income	-	-	2,672,616	2,672,616
Balance at 31 December 2017	**700,000**	**(2,100,643)**	**14,685,320**	**13,284,677**
Total comprehensive income	-	-	2,824,136	2,824,136
Dividend payment	-	-	(2,000,000)	(2,000,000)
Balance at 31 December 2018	**700,000**	**(2,100,643)**	**15,509,456**	**14,108,813**

Statement of Cash Flows

for the year ended 31 December 2018

	Notes	2018 £	2017 £
Operating activities:			
Profit before tax		3,636,824	3,283,259
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment of property, plant and equipment	11	387,815	360,629
Amortisation and impairment of intangible assets	10	111,473	144,774
Loss on disposal of property, plant and equipment	5	1,864	150
		4,137,976	3,788,812
Working capital adjustments:			
Increase in inventories	12	(140,651)	(188,149)
(Increase)/Decrease in trade and other receivables	13	(1,159,743)	1,227,889
Decrease in trade and other payables	16	(137,850)	(3,517,588)
		2,699,732	1,310,964
Income taxes paid		(592,704)	(597,764)
Interest received		2,351	-
Net cash flows from operating activities		2,109,379	713,200
Investing activities:			
Purchase of property, plant and equipment	11	(265,336)	(400,906)
Purchase of intangible assets	10	(38,296)	(19,441)
Net cash flows used in investing activities		(303,632)	(420,347)
Financing activities:			
Dividends paid to owners of Company		(2,000,000)	-
Net cash flows used in financing activities		(2,000,000)	-
Net (decrease)/increase in cash and cash equivalents		(194,253)	292,853
Cash and cash equivalents at 1 January		3,795,310	3,502,457
Cash and cash equivalents at 31 December		3,601,057	3,795,310

Notes to the Financial Statements

at 31 December 2018

1. General Information

Brita Water Filter Systems Limited is a Company incorporated and domiciled in the United Kingdom under the Companies Act. The address of the registered office is Brita House, 9 Granville Way, Bicester, Oxfordshire, OX26 4JT.

2. Significant Accounting Policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union as they apply to the financial statements of the company for the year ended 31 December 2018 and applied in accordance with the Companies Act 2006.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2018.

The company's financial statements have been prepared under the historical cost convention. The financial statements are presented in sterling, which is the functional and presentational currency, and all values are rounded to the nearest pound (£) except when otherwise indicated.

New standards adopted during the year

IFRS 9 and IFRS 15 are new accounting standards that are effective for the year ended 31 December 2018. There are no other amendments to accounting standards or IFRIC interpretations that are effective for the year ended 31 December 2018 which have a material impact on the company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 9 Financial Instruments

IFRS9 replaces IAS 39 Financial Instruments: Recognition and Measurement. The Company has applied this new standard effective 1 January 2018 and there was no impact or prior period adjustment on adoption.

We have assessed our financial assets, which include cash and cash equivalents and trade and other receivables and the changes did not have a material impact on our financial statements.

We have reviewed our approach to the expected credit loss calculation and this is in accordance with IFRS 9 and allows for the recognition of the lifetime expected credit losses at every reporting date.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 and its related amendments supersede IAS 18 Revenue and Related Interpretations. It applies to all revenue arising from contracts with its customers and became effective for annual periods beginning on or after 1 January 2018.

The new revenue recognition standard provides a five step analysis of transactions to determine when and how revenue is recognised. IFRS 15 requires revenue to be recognised when a

Notes to the Financial Statements (continued)

at 31 December 2018

2. Significant Accounting Policies (continued)

New standards adopted during the year (continued)

customer obtains control of promised goods or services in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. In addition, the new standard requires disclosure of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

We adopted these standards effective 1 January 2018, expect for the required financial statement disclosures to the financial statements, there was no impact to our financial statements.

Standards in issue but not yet effective

At the date of authorisation of these financial statements the following Standards and Interpretations (not all of which have been endorsed by the EU) were in issue but not yet effective. These have not been applied in these financial statements.

International Accounting Standard	Effective Date
IFRS 16 Leases	1 January 2019
IAS 19 Employee Benefits – Amendments Regarding Plan Amendments, Curtailment or Settlements	1 January 2019
IAS 12 Income Taxes – Amendments Resulting from Annual Improvements 2015 - 2017 Cycle	1 January 2019

Management have made an initial assessment of the potential impact of the above standards, amendments and interpretations on the Financial Statements of the Company and none of the above are currently expected to have a material impact. A full assessment will be made prior to their implementation.

Going Concern

The financial statements have been prepared on the going concern method. The Directors have reviewed the Company's budgets, forecasts and cash flows as at June 2019. The forecasts cover a period of 12 months from the signing date. See note 3, for the Directors' consideration of Going Concern.

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 or receivable, excluding discounts, incentives, Value Added Tax 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, which is generally on delivery. Revenue from services is recognised when delivered except when revenue is earned independently of the point of delivery of service, when it accrues with the passage of time.

Leasing

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

Notes to the Financial Statements (continued)

at 31 December 2018

2. Significant Accounting Policies (continued)

Leasing (continued)

Rentals payable under operating leases are charged to the Statement of Profit or Loss on a straight line basis over the term of the relevant lease.

Foreign currencies

Transactions in currencies other than sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each Statement of Financial Position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the Statement of Financial Position date. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the Statement of Profit or Loss for the period.

Operating profit

Operating profit is stated after charging all operating costs, but before finance income and finance costs.

Retirement benefit costs

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

Taxation

Current income tax

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

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

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Statement of Profit or Loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Notes to the Financial Statements (continued)

at 31 December 2018

2. Significant Accounting Policies (continued)

Intangible assets

Intangible assets have finite useful lives over which the assets are amortised on a straight line basis. The amortisation charge for computer software is recognised as an expense over 3 to 8 years.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method and for intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation.

Depreciation is charged so as to write off the cost of assets, other than land, over their estimated useful lives, using the straight-line method, on the following bases:

Freehold buildings	over 25 years
Plant and machinery	over 3 to 8 years
Fixtures and fittings	over 10 to 25 years

Reviews of the estimated remaining useful lives and residual values of individual productive assets are performed annually, taking account of commercial and technological obsolescence as well as normal wear and tear. All items of property, plant and equipment are reviewed for impairment when there are indications that the carrying value may not be recoverable.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset, and is recognised in the Statement of Profit or Loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risk specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Notes to the Financial Statements (continued)

at 31 December 2018

2. Significant Accounting Policies (continued)

Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, the Company estimates the asset's recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent from those of other assets or groups of assets.

When the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in the statement of profit and loss in expense categories consistent with the function of the impaired asset.

Cash Dividends

The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. A corresponding amount is recognised directly in equity.

Borrowing Costs

All borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

Financial Instruments

Financial Assets

The Company's financial assets include cash and cash equivalents and trade and other receivables. All financial assets are recognised when the Company becomes party to the contractual provisions of the instrument.

i) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less provision for impairment.

An expected credit loss provision is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, and is recognised in the Statement of Profit or Loss in administrative expenses.

ii) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits held at call with banks.

Notes to the Financial Statements (continued)

at 31 December 2018

2. Significant Accounting Policies (continued)

Financial Liabilities and Equity Instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

The Company's financial liabilities comprise trade and other payables. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

i) Trade and other payables

Trade payables are not interest-bearing and are stated at amortised cost.

Capital Management Risk

The Directors' policy is to retain sufficient capital in the business to fund its operations without long term borrowings, but allowing the possibility to borrow to cover short term working capital needs. As a result a short term working capital facility of up to £4 million is maintained with the Company's parent company, BRITA GmbH. Due to the measures to build stock in the UK to manage risk during the Brexit process it is likely that we will draw down on our Group facility by several million pounds, in the first part of 2019, to fund the increase in stock. For this, the PDN facility has been temporarily increased to £6 million until 31 December 2019. However, we expect this to be repaid by the end of December 2019.The Directors believe there is a very low risk of the Company requiring capital beyond that available to it for the foreseeable future.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. A key area requiring judgment is estimating rebate accruals for customers where their year end is not co-terminus with the company's year end and rebates are dependent on volumes purchased or other criteria applying to their full year purchases. Whilst some judgements have been required in adopting IFRS15, none material to these accounts have been identified.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Going Concern

The Directors have reviewed the Company's budgets, forecasts, cash flows and have concluded that they have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements. The Company has a £4 million facility with its parent Company. At as 31 December 2018 the facility was undrawn though short term use of this facility will be made during 2019 to fund Brexit contingency planning.

Notes to the Financial Statements (continued)

at 31 December 2018

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Operating lease commitments

The Company has entered into operating leases as lessee. The classification of such leases as operating or finance lease requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the balance sheet.

Taxation

Management judgement is required to determine the amount of deferred tax assets/liabilities that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 9.

Sales incentive accruals

Management accrue sales incentives on promotional activity based on agreements with customers. Management judgement is applied in determining the initial amount to be accrued. Management judgement is also required to determine when to release sales incentive accruals back into revenue. Management determine this to be when they believe the liability to settle no longer exists.

4. Revenue from contracts with Customers

	2018	2017
	£	£
Revenue from the sale of goods	68,319,289	62,823,998

The Company adopted IFRS 15 Revenue from Contracts with Customers with effect from 1 January 2018. The Company followed a five step analysis to review the judgements made in applying this standard. These were to identify the contract, identify the performance obligations in the contract, identify how we determine the transaction price, allocate the price, and recognise revenue. Following this review, there was no impact or prior period adjustment on adoption of IFRS 15 for the Company.

Revenue can be broken down as follows:

	2018	2017
	£	£
UK	49,951,779	44,264,514
Rest of the world	18,367,510	18,559,484
Revenue from contract with customers – geographical markets	68,319,289	62,823,998

Notes to the Financial Statements (continued)

at 31 December 2018

4. Revenue from contracts with Customers (continued)

	2018	2017
	£	£
External customers	50,401,238	44,461,971
Intercompany	17,918,051	18,362,027
Revenue from contract with customers – customer markets	68,319,289	62,823,998

	2018	2017
	£	£
Goods transferred at a point in time (Retail)	67,903,857	62,432,972
Services transferred over time (Business to Business)	415,432	391,026
Revenue from contracts with customer – timing of recognition	68,319,289	62,823,998

Identifying performance obligations in a contract

For our Retail customers the performance obligation is the delivery or collection of the physical product to or by the customer. For our Busines to Business customers the performance obligation is the same as the Retail business but also includes installation of the product and exchange of the physical product which the obligation can be transferred over time.

Contract Balances

The balance of any contracts are disclosed seperately within Trade and Other Receivables (note 13).

Determining the transaction price, allocating the price and recognising revenue

This is the price list for that customer combined with the trading terms in which the main are percentage discounts from the customer's prices or annual rebates payable based on a full 12 months trading. In most cases the transaction price is clearly identifiable according to the price list for the given customer and is recognised at the point the product is delivered or the service provided. The only exception to this is the BRITA Easy Plan, where a company pays a fixed fee for as many exchanges as needed during that period. This can reasonably be regarded as a performance obligation satisfied over time as the fixed fee is time apportioned over the BRITA Easy Plan.

Notes to the Financial Statements (continued)

at 31 December 2018

5. Profit for the Year

Profit for the year has been arrived at after charging:

	2018	2017
	£	£
Staff costs	5,427,889	5,556,947
Depreciation of property, plant and equipment	387,815	360,629
Amortisation of intangible assets	111,473	144,774
Loss on disposal of property, plant and equipment	1,864	150
Auditors' remuneration - audit	54,000	53,040
- taxation and accounting services	13,300	13,390

The analysis of auditors' remuneration is as follows:

	2018	2017
	£	£
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	54,000	53,040
Total audit fees	54,000	53,040

	2018	2017
	£	£
Tax compliance services	13,300	13,390
Total non-audit fees	13,300	13,390

6. Staff Costs

The average monthly number of employees during the year was:

	2018	2017
	No.	No.
Production	23	25
Distribution	71	62
Administration	23	25
	117	112

Their aggregate remuneration comprised:

	2018	2017
	£	£
Wages and salaries	4,566,331	4,724,434
Social security costs	513,868	485,842
Staff pension costs	347,690	346,671
	5,427,889	5,556,947

Notes to the Financial Statements (continued)

at 31 December 2018

6. Staff Costs (continued)

The Directors' emoluments were as follows:

	2018	2017
	£	£
Directors' emoluments excluding pension contributions	297,041	170,591
Directors' pension contributions	30,216	17,388
	327,257	187,979

The aggregate emoluments of the highest paid Director was £190,956 (2017: £170,591). The pension contributions of the highest paid Director at 31 December 2018 were £18,787 (2017: £17,388).

Two 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 2017 and 31 December 2018.

7. Finance Income

	2018	2017
	£	£
Interest on bank deposits	14,330	2,667
Other interest	210	-
	14,540	2,667

8. Finance Costs

	2018	2017
	£	£
Interest on loans from related parties	-	16,213
Bank charges	21,597	13,111
Other interest	2,561	-
	24,158	29,324

9. Tax

	2018	2017
	£	£
Current tax:		
Current year tax on profit for the year	763,947	605,170
Adjustments in respect of prior years	154,279	(706)
Total current tax	918,226	604,464
Deferred tax	(105,538)	6,179
Total tax charge	812,688	610,643

Notes to the Financial Statements (continued)

at 31 December 2018

9. Tax (continued)

The charge for the year can be reconciled to the profit per the Statement of Profit or Loss as follows:

	2018	2017
	£	£
Profit on ordinary activities before tax	3,636,824	3,283,259
Tax on profit at standard UK tax rate of 19.00% (2017: 19.25%)	691,443	632,027
Effects of:		
Expenses not deductible for tax purposes	35,366	2,180
Tax rate changes	7,472	(24,077)
Adjustments to tax charge in respect of prior years	112,248	513
Non qualifying asset	(33,841)	-
Tax charge for the year	812,688	610,643

Reconciliation of net deferred tax liabilities:

	2018	2017
	£	£
Provision at the start of the year	377,303	371,124
Deferred tax charge to Statement of Profit or Loss for the year	(63,507)	4,960
Adjustment in respect of prior years	(42,031)	1,219
Provision at the end of the year	271,765	377,303

	2018	2017
	£	£
Deferred tax liabilities (note 15)	(366,485)	(397,048)
Deferred tax assets	94,720	19,745
	271,765	377,303

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 19.00% (2017: 19.25%).

Factors that may affect future current and total tax charges

The UK corporation tax rate was reduced to 20% effective from 1 April 2015. Further reductions to the corporation tax rate to 19% from 1 April 2017 and 18% from 1 April 2020 were substantively enacted on 26 October 2015. Subsequently, an additional reduction in the corporation tax rate to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. These changes will reduce the Company's future current tax charge accordingly. Any deferred tax expected to reverse in the period to 31 December 2018 has been re-measured accordingly using the rates substantively enacted at 31 December 2018.

Notes to the Financial Statements (continued)

at 31 December 2018

10. Intangible Assets

	Software £
Cost	
At 1 January 2018	1,191,709
Additions	38,296
At 31 December 2018	1,230,005
Amortisation	
At 1 January 2018	782,903
Charge for the year	111,473
At 31 December 2018	894,376
Carrying amount	
At 31 December 2018	335,629
At 31 December 2017	408,806

Intangible assets comprise computer software.

Management have reviewed intangibles for any indication of impairment. None have been identified and no impairment has been recognised.

Notes to the Financial Statements (continued)

at 31 December 2018

11. Property, Plant and Equipment

	Freehold land and buildings	Plant and machinery	Fixtures and fittings	Assets under Construction	Total
	£	£	£	£	£
Cost					
At 1 January 2018	5,682,875	1,866,323	1,147,284	34,444	8,730,926
Additions	-	202,829	26,455	36,052	265,336
Disposals	-	-	(40,761)	-	(40,761)
Reclassifications	-	29,614	-	(29,614)	-
At 31 December 2018	5,682,875	2,098,766	1,132,978	40,882	8,955,501
Accumulated depreciation					
At 1 January 2018	2,391,806	941,719	1,016,114	-	4,349,639
Charge for the year	184,251	157,090	46,474	-	387,815
Disposals	-	-	(38,897)	-	(38,897)
At 31 December 2018	2,576,057	1,098,809	1,023,691	-	4,698,557
Carrying amount					
At 31 December 2018	3,106,818	999,957	109,287	40,882	4,256,944
At 31 December 2017	3,291,069	924,604	131,170	34,444	4,381,287

Included in the carrying amount of land and a building is freehold land at a cost of £1,189,773 (2017: £1,189,773). In accordance with IAS 16, this has not been depreciated.

Plant and machinery includes spare parts of £321,095 (2017: £278,658), which are non-saleable and are currently not in use. The Company considers that spare parts meet the definition of PPE under IAS16.

Management have reviewed property, plant and equipment for any indication of impairment. None have been identified and no impairment has been recognised.

12. Inventories

	2018	2017
	£	£
Raw materials and packaging	852,454	795,103
Finished goods	1,809,497	1,726,197
	2,661,951	2,521,300

The cost of inventories recognised as an expense and included within cost of sales amounted to £50,694,351 (2017: £45,717,297). During the year there were write downs of inventories of £114,865 (2017: £235,079).

Notes to the Financial Statements (continued)

at 31 December 2018

13. Trade and Other Receivables

	2018	2017
	£	£
Amounts receivable from trade customers	13,969,988	12,388,142
Allowance for expected credit loss	(207,559)	(331,259)
Net amount receivable from trade customers	13,762,429	12,056,883
Amounts receivable from group undertakings	1,799,548	2,335,376
Other receivables	249	668
Prepayments and accrued income	189,635	199,191
	15,751,861	14,592,118

The Company has provided fully for those receivable balances that it does not expect to recover. This assessment has been undertaken by reviewing the status of all significant balances that are past due and involves assessing both the reason for non-payment and the credit worthiness of the counterparty.

Before accepting any new customer, the Company uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year.

The Directors consider that the book value of the assets is equivalent to the fair value of the assets / liabilities.

14. Cash and Cash Equivalents

	2018	2017
	£	£
Sterling denominated	2,776,469	3,650,148
Euro denominated	611,059	145,162
US Dollar denominated	213,529	-
	3,601,057	3,795,310

Notes to the Financial Statements (continued)

at 31 December 2018

15. Deferred Tax

The following are the major deferred tax (liabilities) and assets recognised by the Company and movements:

	Fixed Assets	Temporary differences
		£
At 1 January 2017	(414,788)	43,664
Credit (Charge) to Statement of Profit or Loss	17,740	(23,919)
At 31 December 2017	(397,048)	19,745
Credit/(Charge) to Statement of Profit or Loss	30,563	74,975
At 31 December 2018	(366,485)	94,720

16. Trade and Other Payables

	2018	2017
	£	£
Trade payables	1,428,976	1,470,688
Amounts owed to group undertakings	3,367,728	4,146,039
Social security and other taxation	1,771,529	1,125,482
Other payables	46,506	41,872
Accruals	794,468	1,524,952
Sales incentive accruals	3,799,222	3,037,154
Deferred income	195,446	195,538
	11,403,875	11,541,725

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 12 days (2017: 16 days). No interest is incurred against trade payables.

Amounts owed to group undertakings comprise mainly of amounts owed to the Company's parent company. The average period taken for group undertakings is 18 days (2017: 26 days). Interest is incurred if we choose to use the PDN facility.

Sales incentive accruals represent accruals for incentives given to customers by the Company as part of promotional activities.

The Directors consider that the book value of the assets is equivalent to the fair value of the assets / liabilities.

Notes to the Financial Statements (continued)

at 31 December 2018

17. Dividends

	2018	2017
	£	£
Cash dividends on ordinary shares declared and paid		
Interim dividend for 2018: £2.857 per share (2017: nil)	2,000,000	-
	2,000,000	-

18. Provisions

	2018	2017
	£	£
Provisions	205,000	205,000
	205,000	205,000

As noted in the Strategic Report, the Consumer - Fill & Filter Division undertook a major strategic change in 2017. As a result of this the Directors considered it necessary to make this provision for liabilities arising from the change which was committed and initiated prior to year end.

19. Financial Instruments

Financial risk management

The Directors have overall responsibility for the oversight of the Company's risk management framework. Risk is reviewed throughout the year as part of the ongoing senior management review process.

Credit risk

Credit risk is the risk of financial loss to the Company if counterparties to a financial instrument fail to meet contractual obligations, and arises principally from the Company's receivables from customers.

The Company's trade receivables contain exposure to credit risk. The carrying amount of trade receivables recorded in the financial statements represents the Company's principal exposure to credit risk other than cash and cash equivalents held with financial institutions.

The concentration of credit risk for trade receivables at the Statement of Financial Position date by geographic region was:

	2018	2017
	£	£
UK	10,697,579	11,130,157
Europe	3,272,410	1,257,985
	13,969,989	12,388,142

Notes to the Financial Statements (continued)

at 31 December 2018

19. Financial Instruments (continued)

Credit quality of financial assets and impairment losses

The ageing of trade receivables at the Statement of Financial Position date was:

	2018 £	2017 £
Not past due	11,255,441	10,549,524
Past due by 1 – 30 days	2,608,206	1,499,851
Past due by 31 – 60 days	469,831	436,504
Past due by 61 – 90 days	9,056	259,497
Past due by more than 90 days	18,632	80,185
Unallocated credits	(391,177)	(437,419)
	13,969,989	12,388,142

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2018 £	2017 £
Balance at 1 January	331,259	154,328
Allowances (released)/provided/ against receivables	(123,700)	176,931
Amounts written off as uncollectable during the period	-	-
Balance at 31 December	207,559	331,259

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures that it has sufficient cash or loan facilities to meet all its commitments when they fall due by ensuring that there are sufficient cash or working capital facilities to meet the cash requirements of the Company.

The risk is measured by review of forecast liquidity each month to determine whether there are sufficient credit facilities to meet forecast requirements. These continue to demonstrate the strong cash generating ability of the business and its ability to operate within existing agreed loan facilities.

The Company has a £4 million Group loan facility to support short and medium term liquidity.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income. The Company's exposure to market risk predominantly relates to currency risk.

Notes to the Financial Statements (continued)

at 31 December 2018

19. Financial Instruments (continued)

Foreign currency risk

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

			2018		*2017*
	Euro	US $	£	Euro	£
Trade and other receivables	3,658,245	-	3,246,249	1,417,879	1,257,985
Cash and cash equivalents	683,106	273,318	824,589	183,178	145,162
Trade and other payables	(183,351)	(207,900)	(329,354)	(566,739)	(500,340)
	4,158,000	65,418	3,741,484	1,034,318	902,807

Interest rate risk

The Company's Group loan borrowing facility incurs variable interest rate charges linked to LIBOR plus a margin. The Company's policy aims to manage the interest cost of the Company within the constraints of its financial forecasts.

Classification of financial assets and financial liabilities

All financial assets are categorised as loans and receivables. Loans and receivables are non-derivative financial assets carried at amortised cost. The carrying value may be affected by changes in the credit risk of the counterparties.

All financial liabilities are categorised as other financial liabilities. These financial liabilities are measured at amortised costs using the effective interest rate method.

The amortised costs of each class of financial assets and liabilities equates to their carrying amount, based on the short maturity of these instruments.

The amortised cost of financial assets and liabilities are as follows:

	2018	2017
Loans and receivables	£	£
Cash and cash equivalents	3,601,057	3,795,310
Trade and other receivables	15,751,861	14,592,118
Total financial assets	19,352,918	18,387,428

	2018	2017
Other financial liabilities	£	£
Trade and other payables	11,403,875	11,541,725
Provisions	205,000	205,000
Total financial liabilities	11,603,875	11,746,725

Notes to the Financial Statements (continued)

at 31 December 2018

20. Share Capital

	2018		2017	
Authorised; Issued and paid:	No.	£	No.	£
Ordinary shares of £1 each	700,000	700,000	700,000	700,000

21. Merger Reserve

	2018	2017
	£	£
Balance as at 31 December	2,100,643	2,100,643

The merger reserve relates to the acquisition of the trade, assets and liabilities of Brita Manufacturing (UK) Limited on 1st January 2014. The reserve reflects the difference between the transferred carrying value of fixed assets, inventories, raw materials, current assets and liabilities acquired and the purchase consideration paid.

22. Operating Lease Arrangements

	2018	2017
	£	£
Minimum lease payments under operating leases recognised as an expense in the period	59,906	75,822

At the Statement of Financial Position date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, as follows:

	2018	2017
	£	£
Operating leases which expire:		
Within one year	32,649	53,949
Over one year	60,401	97,217
	93,050	151,166

Operating lease payments principally represent rentals payable by the Company for certain of its motor vehicles and machinery.

Notes to the Financial Statements (continued)

at 31 December 2018

23. Retirement Benefit Schemes

Defined contribution scheme

The Company operates a defined contribution retirement benefit scheme for all UK employees. The assets of the scheme are held separately from those of the Company in funds under the control of Trustees.

The total cost charged to the Statement of Profit or Loss of £347,690 (2017: £346,671) represents contributions payable to the scheme by the Company at rates specified in the rules of the scheme. At 31 December 2018, contributions of £46,506 (2017: £41,872) due in respect of the current reporting period had not been paid over to the scheme.

24. Related Party Transactions

The Company is a wholly owned subsidiary of Brita GmbH. During the year the Company entered into transactions with wholly owned fellow subsidiary companies of the Brita GmbH Group.

Transactions entered into, and trading balances outstanding, are as follows:

2018

	Sales to related party	Purchases from related party	Amounts owed from related party	Amounts owed to related party
	£	£	£	£
Brita GmbH	18,413,191	41,723,429	1,765,814	3,135,092
Brita Wasser-Filter-Systeme AG	1,537	1,827,191	-	170,644
Vivreau Limited	108,305	598,230	33,734	61,992

2017

	Sales to related party	Purchases from related party	Amounts owed from related party	Amounts owed to related party
	£	£	£	£
Brita GmbH	16,251,128	35,781,144	1,969,467	3,881,654
Brita Wasser-Filter-Systeme AG	2,776,389	2,373,330	359,024	264,385
Vivreau Limited	37,144	1,330	6,885	-

Provision of goods and services to and the purchase of goods and services from related parties were made at contractual prices. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

The related party transactions are stated at contractual prices.

Notes to the Financial Statements (continued)

at 31 December 2018

25. 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); these financial statements are not available to the public.

26. Subsequent Events

There have been no significant events or transactions subsequent to year end.