

# **BRITA Water Filter Systems Limited**

## **Annual Report and Financial Statements**

31 December 2021



## **Contents of the Financial Statements**

**for the year ended 31 December 2021**

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## Company Information

### Directors

M Hankammer  
S Taylor (resigned 12 March 2021)  
N Whitfield  
C Koehler (appointed 4 March 2021)

### Secretary

H J Siegrist

### Auditors

Ernst & Young LLP  
2 Blagrove Street  
Reading  
RG1 1AZ

### Bankers

Barclays Bank Plc  
1 Churchill Place  
London E14 5HP

HSBC Bank Plc  
5th Floor  
Apex Plaza  
Forbury Road  
Reading  
RG1 1AX

HSBC Trinkaus & Burkhardt AG  
Postfach 10 11 08  
40002 Dusseldorf

### Solicitors

Fieldfisher LLP  
Aspen House  
Central Boulevard  
Blythe Valley Park  
Solihull  
B90 8AJ

### 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 2021.

### Review of the business

The principal activity of the Company during the year was the production and sale of water filtration & optimisation 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

The results of the Company for the year, as set out on page 17, show a profit on ordinary activities before tax of £3,168,764 and total revenue of £77,208,490 (2020: £6,546,579 and £77,323,434 respectively). The shareholders' funds of the Company total £16,292,800 (2020: £13,854,909).

2021 was another year strongly influenced by the worldwide COVID-19 pandemic, impacting businesses all over the world. The Company experienced headwinds especially in the first 4 months of 2021. Our Professional Filter business mainly deals with customers in the HoReCa sector who were forced to close their business during the lockdown. The same applies for the high street retail customers of our Consumer business.

For the Fill & Filter (F&F) (Consumer – Pour Through, MicroDisc business and Connected Filtration) sub-division the market remained competitive with a relatively stable share between online retail channels, especially Amazon, and Offline Retail Channels. Despite this competitive environment, we were able to grow the Net Sales Value (NSV) of our Pour Through section, representing 77% of the total third party business, vs. 2020 (+3% vs. prev. year) but slightly below expectations (-2% vs. Budget).

We have increased our MicroDisc business back to a moderate growth track (2% of the total third party business) despite the lock down at the beginning of 2021. We achieved to grow the business by 4% vs. prev. year but actually over-achieved our budget by 5%. Our MicroDisc Filter bottles are designed to deliver users a great drinking water experience “on-the-go”.

Our Pressurised business (water pipe-bound filter solutions), representing 1% of the third party business, declined by -26% vs. 2020, and stayed behind expectations with a decrease of -18% vs. budget.

Above mentioned challenges combined with increased raw material prices put slight pressure on our standard margin for third party sales. Reduced service activities in the Professional Filter business due to closed businesses in our customer segments (mainly HORECA) resulted in us having to put a part of our Service organisation on furlough, which saved personnel costs and helped to over-compensate the margin loss and improved our actual gross margin to 18.8% (2020: 21.9%).

The Professional Filter business faced the biggest challenges from the COVID-19 pandemic. Large parts of our customer segments were heavily hit by Government restrictions & lockdown within the first 4 months of 2021. Businesses had either significantly reduce or completely close during that period of the year, which had a significant negative impact on our business in the beginning of 2021. Once the businesses in the HORECA sector were able to re-open and COVID-19 restrictions were lifted, this led to a significant recovery of our business. Overall, our Professional Filter business had a positive development of +11% vs. 2020 and -8% vs. budget. The Professional Filter segment represented 19% of the total third party business in 2021.

### Business Environment

For the Consumer business the first 2 months of 2022 started very strong with +14% above previous year and +8% above budget. An impact from the COVID-19 pandemic or any BREXIT impacts are barely perceived.

## Strategic Report (continued)

### Business Environment (continued)

Our Professional filter business started with a very strong growth of +43% vs. previous year into the first 2 months of 2022. The overall target & perspective for both Business Segments Consumer & Professional remain unchanged for 2022. Overall, we are facing increasing challenges from higher raw material prices, an increasing inflation which is expected to be on a high level of 5%+ throughout a longer period of time. These facts & expectations combined with the new escalation between Russia and Ukraine will have negative overall impacts on the British economy, which might also affect our business in 2022.

More administration effort caused by BREXIT with handling goods and different kinds of new regulations are increasing the complexity to do business across country borders. But per our current knowledge, BREXIT hasn't had any major impact on our business results in 2021 & 2022.

### Key Performance Indicators ('KPIs')

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

	2021 £	2020 £	Change
<b>Revenue</b>	52,675,951	51,113,684	3.1%
<b>Intercompany Revenue</b>	24,532,539	26,209,750	(6.4)%
<b>Total Revenue</b>	<u>77,208,490</u>	<u>77,323,434</u>	(0.1)%
<b>Gross margin</b>	18.8%	21.9%	(3.1) ppt
<b>Operating profit</b>	3,189,212	6,554,471	(51.3)%
<b>Market share</b>	81.5%	82.0%	(0.5) 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 3.1%. Consumer division sales increased by 1.3% vs. 2020.

Professional Filter division sales increased by 10.8% vs. 2020. This increase was driven by the Government relaxing the restrictions and lock downs for large parts of the B2B customer segments and hence improved the performance within the Professional Filter segment.

Gross margin percentage decreased from 21.9% to 18.8%. Excluding intercompany sales, gross margin percentage decreased from 28.7% to 25.9%.

Company operating profit as a percentage of sales decreased to 4.13% (2020: 8.48%) of sales mainly due to decreased intercompany sales.

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 to 81.5% (2020: 82.0%). This is calculated using data from a third-party marketing research company.

## Strategic Report (continued)

### Section 172 (1) Statement

#### Employees

BRITA Group is a family owned business and sees family values and the wellbeing of its employees as key to its future success.

BRITA Water Filter Systems (BWFS) core values of Customer Service, Responsibility, Teamwork and Continuous Improvement are used to empower individuals and teams to deliver outstanding customer service, to both external and internal customers. We believe this is best achieved by an engaged and motivated workforce, working in a stimulating and challenging but supportive environment.

The Chairman of the Group and UK Executive Boards, Markus Hankammer is a member of the family which owns BRITA Group and is also Group Chief Executive and actively engages with BRITA employees across the globe in this capacity. The other two UK Board members are both employed in managerial capacities in the UK business and as such engage daily with UK members of staff, including those of BWFS.

Once a year a survey is undertaken to capture employee engagement amongst the UK workforce probing areas such as feelings on leadership, management and communication, amongst others. In 2020 the Employee Engagement score for BWFS was 84% (-3% from 2020 and on 2019 level). BWFS has also been awarded Investors in People Platinum which less than 1% of accredited businesses achieve. The Board feel this reflects the effort the company makes to have an open dialogue with its employees as well as the support it provides to them through its range of employee benefits, ongoing leadership and management training programmes.

Personal Development Plans, and an independent Employee Assistance Programme, which offers support for either work or personal problems. Further as part of our High Performing Organisation programme and focus on continuous improvement any issues or improvement areas raised through the Employee Survey are discussed at a Senior Management and departmental level and actions are identified and worked on for the following year.

Communication with employees is aided by monthly whole business Info shares, departmental team meetings and one to one's. Issues can be raised with line managers or confidentially with HR or in accordance with the escalation policy laid out in the BRITA Group Code of Conduct.

BWFS also have a "Making Life Better with BRITA" team which consists of representatives from all departments providing another forum through which employees can make their voice heard. This team generate ideas for the employee engagement program focussing on topics such as sustainability & wellbeing (incl. health) events and charitable activities that support the wider community and the environment. This is in line with our BRITA 2025 Strategy ("Shaping Sustainable Solutions"), which has sustainability as the focus for the BRITA Group development of the next 5 years.

Taken together these enable a healthy dialogue between the Board, senior management and the wider work force, where matters can be raised and concerns addressed.

## Strategic Report (continued)

### Customers and Consumers

BRITA is a market leader in its segment and has an unparalleled knowledge of the UK water filtration market. As such it has always sought to form partnerships with its customers and work in collaboration sharing knowledge and expertise to change the way we drink water sustainably.

In our Consumer division larger customers have dedicated account managers who have ongoing conversations with their counterparts and higher level contacts, including at Board level, to build strong business relationships to maximise commercial opportunities for both parties and overcome and resolve any difficulties. Membership of trade bodies such as the Institute of Grocery Distribution facilitate these relationships.

Our Consumer division customers sell on to the end consumer and we regularly review market research to understand consumer desires and needs, which in turn influences how we engage with them. As well as acquiring EPOS (Electronic Point of Sale) data from our major customers we also employ focus groups and other direct consumer interaction to ensure our products are fulfilling customers' needs and meeting their expectations.

The Professional Division supplies BRITA water filtration into three business sectors; Coffee, Catering, and Vending. BRITA Professional Business account managers work in partnership with the equipment manufacturers and their distributors into each Sector.

By understanding the customer's equipment and their business strategies, the account managers can align the right products and services to achieve the customer objectives.

Regular business reviews are completed along with education and training on water quality and water treatment solutions. The training is delivered both online and face to face (only in strict compliance with any COVID-19 guidelines and restrictions by the UK authorities), covering the features and benefits of using BRITA water filters to 1. Protect their equipment from unnecessary scale related breakdowns and 2. Improve the quality of the source water to produce the best end products. For example, the best coffee bean extraction to create the best espresso which is the base for all high-quality coffee drinks.

Working with Trade and Industry Associations, such as the Foodservice Equipment Association and the Speciality Coffee Association, the team keep up to date with key insights and trends in the market to ensure they are recognised as strategic partners with our customers.

Detailed reporting of the sales we make to our customers is available to senior management and in the consumer division we also monitor sales by our customers to end consumers, which enables us to help our customers manage their stocks, but also establish the consumer response to our market initiatives.

### Wider Community and the environment

As a business we deal with water for personal consumption and as such sustainability and environmental protection is central to our core beliefs.

On a national level we work with organisations such as Keep Britain Tidy and Whale and Dolphin Conservation to support environmental protection and conservations efforts.

Many of our employees live locally to our UK Head Office in Bicester and as a major employer in our locality we believe in involving ourselves in the community both locally and on a wider scale.

BRITA encourages employees to vote for and support charities of their choice. Currently these are Mind (a national mental health charity) and Katherine House Hospice (a local charity). Employees find ingenious ways to raise funds through sponsored and other events as well as being supported by company donations.

## Strategic Report (continued)

### Wider Community and the environment (continued)

With continual improvement we engage our employees in a group effort to actively reduce our environmental impact. We have held ISO 14001 (Environmental Management System) accreditation since 2012.

### Suppliers

The major supplier to BWFS is its immediate parent company BRITA SE (formally BRITA GmbH – effective 1 June 2022) which is also responsible for maintaining the most important third party supplier relationships for the Group as a whole.

Through and with BRITA Group we work to ensure products are ethically sourced and manufactured and that suppliers are treated fairly.

### 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 SE. 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 SE, which is willing and able to provide support. At the balance sheet date, the Company had an intercompany borrowing of £nil (2020: £nil), and an intercompany working capital balance of £4.5m (2020: £4.7m).

Our 2022 forecasts continue to incorporate the risks associated with COVID-19. Our current performance gives the Directors reasonable grounds that the business will continue to perform satisfactorily.

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, US Dollars and Chinese Yuan.

During the COVID-19 pandemic UK production has continued to operate with appropriate health and safety measures including social distancing and working in self-contained groups. In order



## Strategic Report (continued)

### Principal risks and uncertainties (continued)

to maintain our supply chain, we purchase materials directly from China and hence own a Chinese Yuan bank account and buy Yuan to pay for these purchases. This has been started in 2020 and hence in 2022 there is no change to our FX exposure compared to 2020.

The Strategic Report was approved by the Board of Directors and authorised for issue on 26 July 2022. It was signed on behalf of the Board of Directors by:



C Koehler  
**Director**

26 July 2022

## Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2021.

### 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 2022 the company will continue to promote the health and environmental benefit of our products, with a focus on sustainability, and to campaign for a reduction in the use of single use plastic bottles by working closely with our key strategic partners.

During 2022, with the COVID-19 pandemic affecting businesses significantly less, the Professional division will continue to support our customers in hotels, restaurants, catering and vending and aims to be able to come back to a revenue level which is at a similar level than before the COVID-19 pandemic.

The company will significantly invest into its office location in Bicester in 2022 and renew its office facilities to meet the latest working standards and keep being an attractive employer within and beyond the region.

### 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 up to 31 July 2023. For this reason, they continue to adopt the going concern basis in preparing the financial statements. The Company constantly carefully monitors & manages its cash flow, which shows a healthy development.

The company relies on its ultimate parent company, BRITA SE, for both product supply and cash resources via a loan facility. In view of this, the Directors have confirmed that BRITA SE intends to make funds available to the Company to enable it to meet its liabilities as they fall due for a period up of at least 12 months up to 31 July 2023. After considering these factors, including the financial and operational ability of the company to continue as a going concern, the directors have reasonable expectation that the Company has adequate resources to continue its operational existence for the foreseeable future.

### 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 20, 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. The company statement on modern slavery was updated by the BRITA Group on the 22 June 2021 and published on both the Company's and the BRITA Group's websites.

## Directors' Report (continued)

### Streamlined Energy & Carbon Reporting (SECR)

All the Streamlined Energy and Reporting (SECR) data requirements for large companies have been met and the energy consumption and emissions reports are reported below for the financial year. This includes UK consumption of electricity, gas and transport fuels where the company is responsible for those fuels. This methodology follows the GHG Reporting Protocol and uses the 2021 Government emission conversion factors for greenhouse gas company reporting. Operational data obtained internally has been used when preparing these disclosures.

Reported consumption and emissions:

	2021 Consumption in kWh	2021 Emission Tonnes CO2e
Gas (scope 1)	2,015,945	369
Electricity (scope 2)	1,430,492	304
Transport (scope 3)	55,487	13
Total Gross Emissions (scope 1, 2 and 3)	<u>3,501,924</u>	<u>686</u>

Intensity ratio

Intensity ratio	2021 tCO2e / Employee 5.58
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The reported emissions intensity ratio is calculate using the total gross emissions (scope 1, 2 and 3) per total number of employees in tonnes to give the CO2e per employee.

The Company have undertaken several energy efficiencies actions throughout the year and will continue to do so in 2022 and beyond. These include changing lighting to LED in all office areas, installing automatic flush and tap sensors in the toilets and replacing warehouse forklift trucks to ones with Li-Ion batteries.

### Dividends

No dividends were paid in the year (2020: £8,000,000) and the Directors do not recommend a final dividend be declared for approval at the AGM (2020: £nil).

### 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 SE. M Hankammer is a Director of the parent undertaking.

## Directors' Report (continued)

### Charitable contributions

In 2021 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 (2020: £24,000) during the year.

The Company donated £5,000 equally between the following two charities: Mind and Katherine House Hospice (2020: £5,000).

In 2021 the Company also contributed to the Whale and Dolphin Conservation which is a charity dedicated to the protection of whales and dolphins to ensure they have a safe and free world to live in, donating £26,250 (2020: £nil) during the year.

In 2020 the Company contributed to the Allegra Foundation, which is a charity supporting the need to bring clean water to coffee growing communities, donating £12,500 this was not repeated in 2021.

Other donations to various charities in the year amounted to £500 (2020: £84).

### 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.

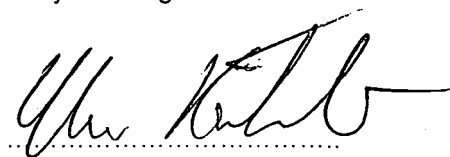
### Disclosure of information to the auditor

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 26 July 2022. They were signed on behalf of the Board of Directors by:



C Koehler  
Director

26 July 2022

## **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 Accounting Standards in conformity with the requirements of the Companies Act 2006. 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 2021 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 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirement of the Companies Act 2006.

In our opinion, the financial statements:

give a true and fair view of the company's affairs as at 31 December 2021 and of its profit for the year then ended;

have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; 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. 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**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the period until 30 June 2022.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

## **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 contained within the annual report.

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)**

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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...], 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.

# Independent Auditor's Report (continued)

to the members of BRITA Water Filter Systems Limited

## **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 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.

### ***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (International Accounting Standards in conformity with the requirements of the Companies Act 2006, and the relevant direct and indirect tax compliance regulation in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations, including General Data Protection Regulation (GDPR).
- We understood how Brita Water Filter Systems Limited is complying with those frameworks by making enquiries of management to understand how the Company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by through team conversations and inquiry of management and those charged with governance. Through these procedures we determined there to be a risk of management override around revenue recognition.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering there to be a potential for overstatement of revenue and understatement of sales rebate accruals through insufficient accruals at year end or inappropriate release of sales rebate accruals, further identifying revenue to be a fraud risk area. We used data analytics tools to perform a correlation analysis between revenue, debtors and cash. We also verified the sales rebates accruals at year-end by tracing a sample of transactions to contractual agreements and audited data. We audited the recognition and measurement of revenue by tracing a sample of transactions, throughout the year, to cash banked to verify the accuracy of reported revenue. We utilised data analytics to complete our testing of manual journals to identify manual adjustments that are made to revenue and sales rebate accruals for further testing; we obtained corroborating evidence for such entries.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiries of management and journal entry testing, with a focus on manual journals indicating unusual transactions based on our understanding of the business. We ensured that such transactions complied with the relevant accounting and legal requirements.

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.



## Independent Auditor's Report (continued)

to the members of BRITA Water Filter Systems Limited

### 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.

DocuSigned by:  
*Ernst & Young LLP*  
CDFCC7D2EC964D2...

Evangelos Gkirtsos (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Reading  
Date: 26 July 2022

**Statement of Profit or Loss and Other Comprehensive Income**  
for the year ended 31 December 2021

	Notes	2021 £	2020 £
<b>Revenue from contracts with customers</b>	4	77,208,490	77,323,434
Cost of sales		<u>(62,673,034)</u>	<u>(60,393,263)</u>
<b>Gross profit</b>		14,535,456	16,930,171
Selling and distribution expenses		(9,040,537)	(7,574,695)
Administrative expenses		<u>(2,305,707)</u>	<u>(2,801,005)</u>
<b>Operating profit</b>		3,189,212	6,554,471
Finance income	7	709	5,296
Finance costs	8	<u>(21,157)</u>	<u>(13,188)</u>
<b>Profit before tax</b>		3,168,764	6,546,579
Income tax expenses	9	<u>(730,873)</u>	<u>(1,282,267)</u>
<b>Profit for the year, being attributable to owners of the parent</b>		2,437,891	5,264,312
Other comprehensive income		-	-
<b>Total comprehensive income for the year, being attributable to owners of the parent</b>		<u>2,437,891</u>	<u>5,264,312</u>

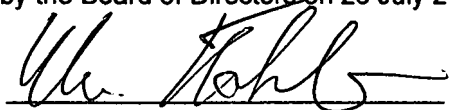
The results have been derived wholly from continuing activities.

**Statement of Financial Position**

at 31 December 2021

	Notes	2021 £	2020 £
<b>Non-current assets</b>			
Intangible assets	10	28,491	122,809
Property, plant and equipment	11	4,329,890	3,858,187
Right of use assets	12	67,089	116,483
		<u>4,425,470</u>	<u>4,097,479</u>
<b>Current assets</b>			
Inventories	13	5,020,723	6,909,752
Trade and other receivables	14	13,022,107	12,609,466
Receivables from group companies	14	222,974	960,655
Cash and cash equivalents	15	5,656,875	4,049,833
		<u>23,922,679</u>	<u>24,529,706</u>
<b>Total assets</b>		<u>28,348,149</u>	<u>28,627,185</u>
<b>Equity</b>			
Share capital	21	700,000	700,000
Merger reserve	22	(2,100,643)	(2,100,643)
Retained earnings		17,693,443	15,255,552
<b>Total equity</b>		<u>16,292,800</u>	<u>13,854,909</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	9, 16	534,206	309,703
<b>Current liabilities</b>			
Trade and other payables	17	7,066,229	8,604,725
Payables to group companies	17	4,880,900	4,709,278
Provisions	19	205,000	205,000
Current tax liabilities		(630,986)	943,570
		<u>11,521,143</u>	<u>14,462,573</u>
<b>Total liabilities</b>		<u>12,055,349</u>	<u>14,772,276</u>
<b>Total equity and liabilities</b>		<u>28,348,149</u>	<u>28,627,185</u>

The Statement of Financial Position of BRITA Water Filter Systems Limited and the accompanying notes on pages 21 to 41, which form an integral part of the financial statements, were approved by the Board of Directors on 26 July 2022 and signed on behalf of the Board of Directors by:



C Koehler  
Director

**Statement of Changes in Equity**

for the year ended 31 December 2021

	Equity attributable to owners of the parent			
	Share capital	Merger reserve	Retained earnings	Total equity
	£	£	£	£
	Note 21	Note 22		
Balance at 1 January 2020	700,000	(2,100,643)	17,991,240	16,590,597
Total comprehensive income	-	-	5,264,312	5,264,312
Dividend payment	-	-	(8,000,000)	(8,000,000)
<b>Balance at 31 December 2020</b>	<b>700,000</b>	<b>(2,100,643)</b>	<b>15,255,552</b>	<b>13,854,909</b>
Total comprehensive income	-	-	2,437,891	2,437,891
Dividend payment	-	-	-	-
<b>Balance at 31 December 2021</b>	<b>700,000</b>	<b>(2,100,643)</b>	<b>17,693,443</b>	<b>16,292,800</b>

## Statement of Cash Flows

for the year ended 31 December 2021

	Notes	2021 £	2020 £
<b>Operating activities:</b>			
<b>Profit before tax</b>		3,168,764	6,546,579
Adjustments to reconcile profit before tax to net cash flows:			
Amortisation and impairment of intangible assets	10	94,318	105,402
Depreciation and impairment of property, plant and equipment	11	384,751	390,054
Depreciation and impairment of right of use assets	12	60,859	66,282
Loss on disposal of property, plant and equipment	5	4,830	8,281
		<u>3,713,522</u>	<u>7,115,598</u>
Working capital adjustments:			
Decrease/(Increase) in inventories	13	1,889,029	(2,073,408)
Decrease in trade and other receivables	14	325,040	1,333,361
(Increase)/Decrease in trade and other payables	17	<u>(1,366,874)</u>	<u>3,461,830</u>
		4,560,717	9,837,381
Income taxes paid		(2,080,926)	(515,149)
Interest received		-	-
<b>Net cash flows from operating activities</b>		<u>2,479,791</u>	<u>9,322,232</u>
<b>Investing activities:</b>			
Purchase of intangible assets	10	-	-
Purchase of property, plant and equipment	11	(861,284)	(106,189)
Repayment of leases	12	(11,465)	(17,743)
<b>Net cash flows used in investing activities</b>		<u>(872,749)</u>	<u>(123,932)</u>
<b>Financing activities:</b>			
Dividends paid to owners of Company		-	(8,000,000)
<b>Net cash flows used in financing activities</b>		<u>-</u>	<u>(8,000,000)</u>
Net increase in cash and cash equivalents		1,607,042	1,198,300
Cash and cash equivalents at 1 January		<u>4,049,833</u>	<u>2,851,535</u>
<b>Cash and cash equivalents at 31 December</b>	15	<u>5,656,875</u>	<u>4,049,833</u>

## Notes to the Financial Statements

at 31 December 2021

### 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 Accounting Standards in conformity with the requirements of the Companies Act 2006 as they apply to the financial statements of the company for the year ended 31 December 2021.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2021.

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.

#### Standards in issue but not yet effective

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

International Accounting Standard	Effective Date
IAS 37 Provisions, Contingent Liabilities and Contingent Assets	1 January 2022
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2023
IFRS 17 Insurance Contracts	1 January 2023

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 December 2021. The forecasts cover a period of 12 months from the signing date. See note 3, for the Directors' consideration of Going Concern.

The company relies on its ultimate parent company, BRITA SE, for both product supply and cash resources via a loan facility. In view of this, the Directors have confirmed that BRITA SE intends to make funds available to the Company to enable it to meet its liabilities as they fall due up to 31 July 2023. After considering these factors, including the financial and operational ability of the company to continue as a going concern, the directors have reasonable expectation that the Company has adequate resources to continue its operational existence for the foreseeable future.

## Notes to the Financial Statements (continued)

at 31 December 2021

### 2. Significant Accounting Policies (continued)

#### 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.

#### *Revenue from contracts with customers*

The Company is in the business of providing water filtration and optimisation products. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

#### Leasing

At inception, the Company assesses whether a contract is or contains a lease. This assessment involves the exercise of judgement about whether the Company obtains substantially all the economic benefit from the use of that asset, and whether the Company has the right to direct the use of the asset when considering whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

After initial recognition, the lease liability is measured at amortised cost using the effective interest method. A reassessment of the lease liability occurs when there is a change in lease payments. The incremental borrowing rate is only revised where the change in payments is a result of a change in floating interest rates, lease term change or a change in assessment relating to the exercise of purchase options charges.

The Company has elected not to separate lease and non-lease components for leases of vehicles.

The Company recognises a right of use (ROU) asset and a lease liability at the commencement of the lease. The ROU is initially measured based on the present value of lease payments, less any incentives received. The ROU is depreciated over the shorter of the lease term or the useful economic life of the underlying assets. The incremental borrowing rate is used to discount the asset over the relevant term. The ROU is subject to testing for impairment if there is an indicator of impairment.

Lease payments generally include fixed payments. The incremental borrowing rate is used to discount the lease payment over the term of the lease.

ROU assets are categorised to reflect the nature of the underlying asset and consistent with the Plant, Property and Equipment note. The assets are depreciated over the term of the lease, accounting for break clauses or options to extend in line with the lease liability decision. ROU assets are disclosed within a separate note within the associated note, and the lease liability is included in the headings Lease Liability (current and non-current) on the balance sheet.

The standard provides specific transition requirements and practical expedients, which have been applied by the Company, being:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application

## Notes to the Financial Statements (continued)

at 31 December 2021

### 2. Significant Accounting Policies (continued)

- Elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its previous assessments made.

#### 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 2021

### 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 2021

### 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.

#### 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.

## Notes to the Financial Statements (continued)

at 31 December 2021

### 2. Significant Accounting Policies (continued)

#### 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 is available upon request with the Company's parent company, BRITA SE.

### 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 up to 31 July 2023. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

#### 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.

## Notes to the Financial Statements (continued)

at 31 December 2021

### 4. Revenue from contracts with Customers

	2021	2020
	£	£
Revenue from the sale of goods	<u>77,208,490</u>	<u>77,323,434</u>

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. The Company continues to apply the same model to Revenue from Contracts with Customers.

Revenue can be broken down as follows:

	2021	2020
	£	£
UK	52,525,158	51,006,291
Rest of the world	24,683,332	26,317,143
<b>Revenue from contract with customers – geographical markets</b>	<u>77,208,490</u>	<u>77,323,434</u>

	2021	2020
	£	£
External customers	52,675,951	51,113,684
Intercompany	24,532,539	26,209,750
<b>Revenue from contract with customers – customer markets</b>	<u>77,208,490</u>	<u>77,323,434</u>

	2021	2020
	£	£
Goods transferred at a point in time (Retail)	76,955,545	77,009,267
Services transferred over time (Business to Business)	252,945	314,167
<b>Revenue from contracts with customer – timing of recognition</b>	<u>77,208,490</u>	<u>77,323,434</u>

### 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 Business 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.

## Notes to the Financial Statements (continued)

at 31 December 2021

### 4. Revenue from contracts with Customers (continued)

#### Contract Balances

The balance of any contracts are disclosed separately within Trade and Other Receivables (note 14).

#### 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.

### 5. Profit for the Year

Operating profit for the year has been arrived at after charging:

	2021	2020
	£	£
Staff costs	6,055,981	5,838,433
Amortisation of intangible assets	94,318	105,402
Depreciation of property, plant and equipment	384,751	390,054
Depreciation of finance leases	60,859	66,282
Loss on disposal of property, plant and equipment	4,830	8,281
Auditors' remuneration - audit	64,000	60,000
- taxation and accounting services	12,890	13,100

The analysis of auditors' remuneration is as follows:

	2021	2020
	£	£
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	64,000	60,000
<b>Total audit fees</b>	<b>64,000</b>	<b>60,000</b>
	2021	2020
	£	£
Tax compliance services	12,890	13,100
<b>Total non-audit fees</b>	<b>12,890</b>	<b>13,100</b>

## Notes to the Financial Statements (continued)

at 31 December 2021

### 6. Staff Costs

The average monthly number of employees during the year was:

	2021	2020
	No.	No.
Production	24	26
Distribution	31	28
Administration	70	70
	<u>125</u>	<u>124</u>

Their aggregate remuneration (including Directors') comprised:

	2021	2020
	£	£
Wages and salaries	5,088,031	4,896,404
Social security costs	579,589	556,371
Staff pension costs	388,361	385,658
	<u>6,055,981</u>	<u>5,838,433</u>

The Directors' emoluments were as follows:

	2021	2020
	£	£
Directors' emoluments excluding pension contributions	298,860	306,995
Directors' pension contributions	24,209	32,776
	<u>323,069</u>	<u>339,771</u>

The aggregate emoluments of the highest paid Director was £131,500 (2020: £187,212). The pension contributions of the highest paid Director at 31 December 2021 were £5,665 (2020: £19,558).

All Directors of the Company are also directors or officers of other companies within the BRITA SE Group. One Director is remunerated by other group companies and their services to the Company do not occupy a significant amount of their time. As such this Director does not consider that they receive any remuneration for their incidental services to the Company for the years ended 31 December 2020 and 31 December 2021.

### 7. Finance Income

	2021	2020
	£	£
Interest on bank deposits	414	5,207
Other interest	295	89
	<u>709</u>	<u>5,296</u>

## Notes to the Financial Statements (continued)

at 31 December 2021

### 8. Finance Costs

	2021	2020
	£	£
Interest on loans from related parties	-	-
Bank charges	12,101	9,106
Interest on lease liabilities	2,871	4,082
Interest on tax liabilities	6,184	-
	<u>21,156</u>	<u>13,188</u>

### 9. Tax

	2021	2020
	£	£
<b>Current tax:</b>		
Current year tax on profit for the year	506,075	1,292,983
Adjustments in respect of prior years	295	(295)
Total current tax	<u>506,370</u>	<u>1,292,688</u>
Deferred tax	<u>224,503</u>	<u>(10,421)</u>
<b>Total tax charge</b>	<u>730,873</u>	<u>1,282,267</u>

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

	2021	2020
	£	£
<b>Profit on ordinary activities before tax</b>	<u>3,168,764</u>	<u>6,546,579</u>
<b>Tax on profit at standard UK tax rate of 19.00% (2020: 19.00%)</b>	<u>602,065</u>	<u>1,243,850</u>
<b>Effects of:</b>		
Expenses not deductible for tax purposes	304	1,051
Tax rate changes	128,209	37,661
Adjustments to tax charge in respect of prior years	295	(295)
Non qualifying asset	-	-
Deferred tax prior year adjustment	-	-
Tax charge for the year	<u>730,873</u>	<u>1,282,267</u>

### Reconciliation of net deferred tax liabilities:

	2021	2020
	£	£
Provision at the start of the year	309,703	320,124
Deferred tax charge to Statement of Profit or Loss for the year	224,503	(10,421)
Adjustment in respect of prior years	-	-
Provision at the end of the year	<u>534,206</u>	<u>309,703</u>

**Notes to the Financial Statements (continued)**

at 31 December 2021

**9. Tax (continued)**

	2021 £	2020 £
Deferred tax liabilities (note 16)	(609,607)	(364,677)
Deferred tax assets	75,401	54,974
	<u>534,206</u>	<u>309,703</u>

**Factors that may affect future current and total tax charges**

It was announced in the UK Government's Budget on 3 March 2021 that the main UK corporation tax rate will increase from 19% to 25% from 1 April 2023 and this change was substantively enacted on 24 May 2021. Therefore temporary differences existing at the year-end have been calculated to reflect this change.

**10. Intangible Assets**

	Software £
Cost	
At 1 January 2021	1,230,005
Additions	-
At 31 December 2021	<u>1,230,005</u>
Amortisation	
At 1 January 2021	1,107,196
Charge for the year	94,318
At 31 December 2021	<u>1,201,514</u>
Carrying amount	
At 31 December 2021	<u>28,491</u>
At 31 December 2020	<u>122,809</u>

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 2021

### 11. Property, Plant and Equipment

	Freehold land and buildings £	Plant and machinery £	Fixtures and fittings £	Assets under Construction £	Total £
<b>Cost</b>					
At 1 January 2021	5,682,875	2,343,243	1,209,174	71,150	9,306,442
Additions	8,358	62,198	34,385	756,343	861,284
Disposals	-	-	(20,745)	(4,830)	(25,575)
Reclassifications	6,803	18,034	28,401	(53,238)	-
At 31 December 2021	<u>5,698,036</u>	<u>2,423,475</u>	<u>1,251,215</u>	<u>769,425</u>	<u>10,142,151</u>
<b>Accumulated depreciation</b>					
At 1 January 2021	2,944,559	1,402,535	1,101,161	-	5,448,255
Charge for the year	185,236	148,766	50,749	-	384,751
Disposals	-	-	(20,745)	-	(20,745)
At 31 December 2021	<u>3,129,795</u>	<u>1,551,301</u>	<u>1,131,165</u>	<u>-</u>	<u>5,812,261</u>
<b>Carrying amount</b>					
At 31 December 2021	<u>2,568,241</u>	<u>872,174</u>	<u>120,050</u>	<u>769,425</u>	<u>4,329,890</u>
At 31 December 2020	<u>2,738,316</u>	<u>940,708</u>	<u>108,013</u>	<u>71,150</u>	<u>3,858,187</u>

Included in the carrying amount of land and buildings is freehold land at a cost of £1,189,773 (2020: £1,189,773). In accordance with IAS 16, this has not been depreciated.

Plant and machinery includes spare parts of £394,915 (2020: £337,318), 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.

## Notes to the Financial Statements (continued)

at 31 December 2021

### 12. Right of Use Assets

	Equipment £	Motor Vehicles £	Total £
Cost			
At 1 January 2021	198,490	30,707	229,197
Additions	-	11,465	11,465
Disposals	(58,394)	-	(58,394)
At 31 December 2021	<u>140,096</u>	<u>42,172</u>	<u>182,268</u>
Accumulated depreciation			
At 1 January 2021	96,848	15,866	112,714
Charge for the year	49,014	11,845	60,859
Disposals	(58,394)	-	(58,394)
At 31 December 2021	<u>87,468</u>	<u>27,711</u>	<u>115,179</u>
Carrying amount			
At 31 December 2021	<u>52,628</u>	<u>14,461</u>	<u>67,089</u>
At 31 December 2020	<u>101,642</u>	<u>14,841</u>	<u>116,483</u>

The Company adopted IFRS 16 Leases with effect from 1 January 2019. The Company followed a five step analysis to review the judgements made in applying this standard. These were to identify the lease, identify the value of the contract, re-calculate the value using a discount rate the future value of the contract, calculate depreciation and apply interest.

### 13. Inventories

	2021 £	2020 £
Raw materials and packaging	2,032,872	2,192,654
Finished goods	2,987,851	4,717,098
	<u>5,020,723</u>	<u>6,909,752</u>

The cost of inventories recognised as an expense and included within cost of sales amounted to £57,930,422 (2020: £56,845,545). During the year there were write downs of inventories of £78,743 (2020: £99,899).

## Notes to the Financial Statements (continued)

at 31 December 2021

### 14. Trade and Other Receivables

	2021 £	2020 £
Amounts receivable from trade customers	12,970,333	12,509,376
Allowance for expected credit loss	(69,749)	(225,136)
Net amount receivable from trade customers	12,900,584	12,284,240
Amounts receivable from group undertakings	222,974	960,655
Other receivables	8,740	3,016
Prepayments and accrued income	112,783	322,210
	<u>13,245,081</u>	<u>13,570,121</u>

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.

### 15. Cash and Cash Equivalents

	2021 £	2020 £
Sterling denominated	3,876,713	2,129,323
Euro denominated	1,754,688	1,431,466
US Dollar denominated	18,392	293,038
CNY Dollar denominated	7,082	196,006
	<u>5,656,875</u>	<u>4,049,833</u>

Cash at banks earns interest at daily bank deposit rates.

## Notes to the Financial Statements (continued)

at 31 December 2021

### 16. 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 2020	(365,946)	45,822
Credit (Charge) to Statement of Profit or Loss	1,269	9,152
At 31 December 2020	(364,677)	54,974
Credit/(Charge) to Statement of Profit or Loss	(244,930)	20,427
At 31 December 2021	(609,607)	75,401

### 17. Trade and Other Payables

	2021 £	2020 £
Trade payables	1,813,454	2,342,305
Amounts owed to group undertakings	4,880,900	4,709,278
Social security and other taxation	1,229,407	2,412,418
Lease liabilities	67,616	117,288
Other payables	53,942	54,228
Accruals	725,090	733,618
Sales incentive accruals	3,036,661	2,827,561
Deferred income	140,058	117,307
	<u>11,947,129</u>	<u>13,314,003</u>

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 15 days (2020: 12 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 25 days (2020: 12 days). Interest is incurred if we choose to use the BRITA Group loan 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 2021

### 18. Dividends

	2021 £	2020 £
<b>Cash dividends on ordinary shares declared and paid</b>		
Interim dividend for 2021: £nil per share (2020: £11.428)	-	(8,000,000)
	<u>-</u>	<u>(8,000,000)</u>

### 19. Provisions

	2021 £	2020 £
Provisions	205,000	205,000
	<u>205,000</u>	<u>205,000</u>

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.

### 20. 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:

	2021 £	2020 £
UK	10,483,611	9,909,220
Europe	2,486,722	2,600,156
	<u>12,970,333</u>	<u>12,509,376</u>

## Notes to the Financial Statements (continued)

at 31 December 2021

### 20. Financial Instruments (continued)

#### Credit quality of financial assets and impairment losses

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

	2021 £	2020 £
Not past due	12,251,957	11,613,397
Past due by 1 – 30 days	753,580	937,381
Past due by 31 – 60 days	116,409	138,898
Past due by 61 – 90 days	88,125	48,381
Past due by more than 90 days	(9,920)	(35,897)
Unallocated credits	(229,818)	(192,784)
	<u>12,970,333</u>	<u>12,509,376</u>

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

	2021 £	2020 £
Balance at 1 January	225,136	30,200
Allowances (released)/provided against receivables	(155,387)	194,936
Amounts written off as uncollectable during the period	-	-
Balance at 31 December	<u>69,749</u>	<u>225,136</u>

#### 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 access to a Group loan facility to support short and medium term liquidity when required.

#### 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 2021

### 20. 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:

	Euro	US \$	CNY	2021 £
Trade and other receivables	2,959,397	-	-	2,512,001
Cash and cash equivalents	2,088,218	24,790	60,633	1,780,161
Trade and other payables	(424,653)	(339,039)	-	(616,007)
	<u>4,622,962</u>	<u>(314,249)</u>	<u>(60,633)</u>	<u>3,676,155</u>

	Euro	US \$	CNY	2020 £
Trade and other receivables	2,892,179	-	-	2,601,195
Cash and cash equivalents	1,592,234	399,976	1,749,061	1,920,510
Trade and other payables	(678,119)	(473,901)	(2,159,220)	(1,220,844)
	<u>3,806,294</u>	<u>(73,925)</u>	<u>(410,159)</u>	<u>3,300,861</u>

#### 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:

	2021 £	2020 £
Loans and receivables		
Cash and cash equivalents	5,565,875	4,049,833
Trade and other receivables	13,245,081	13,570,121
Total financial assets	<u>18,901,956</u>	<u>17,619,954</u>

## Notes to the Financial Statements (continued)

at 31 December 2021

### 20. Financial Instruments (continued)

	2021	2020
	£	£
Other financial liabilities		
Trade and other payables	11,879,513	13,196,715
Lease liabilities	67,616	117,288
Provisions	205,000	205,000
Total financial liabilities	<u>12,152,129</u>	<u>13,519,003</u>

### 21. Share Capital

		2021		2020
	No.	£	No.	£
Authorised; Issued and paid:				
Ordinary shares of £1 each	700,000	<u>700,000</u>	700,000	<u>700,000</u>

### 22. Merger Reserve

	2021	2020
	£	£
Balance as at 31 December	<u>2,100,643</u>	<u>2,100,643</u>

The merger reserve relates to the acquisition of the trade, assets and liabilities of BRITA Manufacturing (UK) Limited on 1<sup>st</sup> 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.

### 23. Lease Liabilities

Set out below are the carry amounts of lease liabilities and the movements during the period:

	2021
	£
At 31 December 2020	117,287
Additions	11,465
Accretion of interest	2,871
Payments	(64,007)
At 31 December 2021	<u>67,616</u>
Current	31,884
Non-current	35,732
At 31 December 2021	<u>67,616</u>



## Notes to the Financial Statements (continued)

at 31 December 2021

### 24. 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 £388,361 (2020: £385,658) represents contributions payable to the scheme by the Company at rates specified in the rules of the scheme. At 31 December 2021, contributions of £53,942 (2020: £54,154) due in respect of the current reporting period had not been paid over to the scheme.

### 25. Related Party Transactions

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

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

#### 2021

	Sales to related party £	Purchases from related party £	Amounts owed from related party £	Amounts owed to related party £
BRITA SE	25,374,670	45,243,317	(192,672)	4,469,889
Vivreau Limited	662,295	833,074	415,646	411,011
BRITA Wasser Filter Systeme	4,738	-	-	-
BRITA Spain	8,383	-	-	-

#### 2020

	Sales to related party £	Purchases from related party £	Amounts owed from related party £	Amounts owed to related party £
BRITA SE	26,909,751	47,651,021	895,640	4,660,275
Vivreau Limited	204,395	457,318	65,015	49,003

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 2021

### **26. 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 SE (BRITA Water Filter Systems Limited's immediate parent); these financial statements are not available to the public.

### **27. Subsequent Events**

The narrative included in the Strategic Report and the Going Concern disclosure in note 2 sets out the details of the impact of the COVID-19 pandemic & the Ukraine War on the Company's business activities and the associated risks. With that context, it is our view and to the best of our knowledge, that COVID-19 will not impact the Company's ability to continue as a going concern. The future financial impact is being reviewed on a regular basis but due to the severity and uncertainty of the duration of the pandemic the Company's forecasting of results requires constant reviewing.