

Watermedia Limited

Directors' report and financial statements

Registered number 3890698

31 December 2002



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Principal activity and review of the business

The company's principal activity is the marketing of promotional bottled water.

Proposed dividend and transfer to reserves

The loss for the year of £39,000 has been transferred to reserves. No dividend is proposed.

Directors and directors' interests

The directors who held office during the year were as follows:

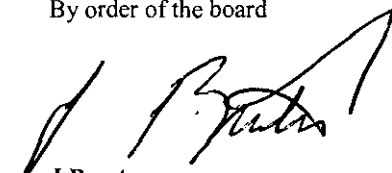
J Beeston
I Valder

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company or any group undertaking.

Auditors

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office.

By order of the board



J Beeston
Director

Blackford
Perthshire
PH4 1QA
Scotland

17th October 2003

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



24 Blythswood Square
Glasgow
G2 4QS
United Kingdom

Report of the independent auditors to the members of Watermedia Limited

We have audited the financial statements on pages 4 to 10.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
KPMG LLP
Chartered Accountants
Registered Auditor

27 October 2003

Profit and loss account
for the year ended 31 December 2002

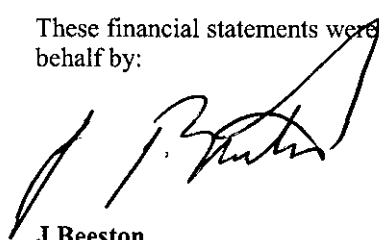
	<i>Note</i>	2002 £000	2001 £000
Turnover	<i>1</i>	114	103
Cost of sales		(55)	(42)
		<hr/>	<hr/>
Gross profit		59	61
Administrative expenses		(115)	(91)
		<hr/>	<hr/>
Operating loss		(56)	(30)
		<hr/>	<hr/>
Loss on ordinary activities before taxation	<i>2</i>	(56)	(30)
Tax on loss on ordinary activities	<i>3</i>	17	5
		<hr/>	<hr/>
Loss for the financial year	<i>10</i>	(39)	(25)
		<hr/>	<hr/>

The company had no recognised gains or losses in either year other than the above loss for the year.

Balance sheet
at 31 December 2002

	Note	2002 £000	2001 £000
Fixed assets			
Tangible assets	4	-	14
Current assets			
Debtors	5	34	13
Cash at bank and in hand		10	1
		<u>44</u>	<u>14</u>
Creditors: amounts falling due within one year	6	(88)	(33)
Net current liabilities		(44)	(19)
Total assets less current liabilities		(44)	(5)
Creditors: amounts falling due after more than one year	7	(46)	(46)
Net liabilities		(90)	(51)
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account	10	(90)	(51)
Equity shareholders' funds - deficit		(90)	(51)

These financial statements were approved by the board of directors on 17 OCTOBER 2003 and were signed on its behalf by:


J Beeston
Director

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2002

	2002 £000	2001 £000
Loss for the financial year	(39)	(25)
Net reduction in shareholders' funds	(39)	(25)
Opening shareholders' funds	(51)	(26)
Closing shareholders' funds - deficit	(90)	(51)

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently, except as noted below, in dealing with items which are considered material in relation to the company's financial statements. The company has adopted FRS 19 'Deferred tax' for the first time in these financial statements; this has resulted in additional disclosure but has had no other impact on the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The financial statements have been prepared on a going concern basis notwithstanding the deficit on shareholders' funds as the directors of the parent company, Highland Spring Limited, have undertaken to provide such financial support as may be necessary to enable the company to meet its financial obligations for the foreseeable future.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement as it is a wholly owned subsidiary and is included in the consolidated financial statements of its parent undertaking.

As the company is a wholly owned subsidiary of Highland Spring Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

Turnover

Turnover represents income from the sale of promotional bottled water with an artwork and design service provided.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Motor vehicles	-	25% straight line
Office equipment	-	33.33% straight line

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

2 Loss on ordinary activities before taxation

	2002 £000	2001 £000
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Depreciation	4	7
Directors remuneration	-	-
Auditor's remuneration	1	-

Notes (continued)

3 Tax

	2002 £000	2001 £000
<i>Current tax</i>		
Group relief receivable	17	5
	<u>17</u>	<u>5</u>
<i>Factors affecting the tax charge for the current period</i>		
Loss on ordinary activities before tax	(56)	(30)
	<u>(56)</u>	<u>(30)</u>
Current tax at 30% (2001: 30%)	17	9
Effects of:		
Movement in unrecognised deferred tax asset	-	(4)
	<u>-</u>	<u>(4)</u>
Total current tax credit	17	5
	<u>17</u>	<u>5</u>

4 Tangible fixed assets

	Office equipment £000	Motor vehicles £000	Total £000
<i>Cost</i>			
At beginning of year	4	21	25
Disposals	-	(21)	(21)
	<u>4</u>	<u>-</u>	<u>4</u>
At end of year	4	-	4
	<u>4</u>	<u>-</u>	<u>4</u>
<i>Depreciation</i>			
At beginning of year	2	9	11
Charge for year	2	2	4
On disposals	-	(11)	(11)
	<u>2</u>	<u>2</u>	<u>4</u>
At end of year	4	-	4
	<u>4</u>	<u>-</u>	<u>4</u>
<i>Net book value</i>			
At 31 December 2002	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2001	2	12	14
	<u>2</u>	<u>12</u>	<u>14</u>

Notes (continued)

5 Debtors

	2002 £000	2001 £000
Trade debtors	4	1
Prepayments and accrued income	5	6
Other debtors	3	1
Amount due from parent undertaking	22	5
	<hr/> 34 <hr/>	<hr/> 13 <hr/>

6 Creditors: amounts falling due within one year

	2002 £000	2001 £000
Trade creditors	24	28
Accruals and deferred income	5	5
Amounts owed to group undertaking	12	-
Amounts owed to parent undertaking	47	-
	<hr/> 88 <hr/>	<hr/> 33 <hr/>

7 Creditors: amounts falling due after more than one year

	2002 £000	2001 £000
Amount owed to parent undertaking	46	46
	<hr/>	<hr/>

8 Deferred tax

There was no provision for deferred tax at 31 December 2002 or 31 December 2001. The company's unprovided deferred tax asset, at 30%, which has not been recognised due to uncertainty surrounding its recoverability, comprises:

	2002 £000	2001 £000
Trading losses	12	12
	<hr/>	<hr/>

Notes (continued)

9 Called up share capital

	2002 £	2001 £
<i>Authorised</i>		
Ordinary shares of £1 each	100	100
	<hr/>	<hr/>
<i>Allotted called up and fully paid</i>		
Ordinary shares of £1 each	1	1
	<hr/>	<hr/>

10 Profit and loss account

	2002 £000
Balance at beginning of year	(51)
Loss for the year	(39)
	<hr/>
Balance at end of year	(90)
	<hr/>

11 Ultimate parent company

The directors regard Park Tower Holdings Establishment, which is registered in Liechtenstein, to be the ultimate parent company.

The company's immediate parent undertaking, which prepares group accounts, is Highland Spring Limited, which is registered in Scotland. The group accounts of Highland Spring Limited are available from Companies House, 37 Castle Terrace, Edinburgh, EH1 2EB.