

# Brita Manufacturing (UK) Limited

## Report and Financial Statements

31 December 2004

ERNST & YOUNG



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**Brita Manufacturing (UK) Limited**

Registered No: 4824313

**Directors**

D Banfield  
R Belz  
U Belz  
M Hankammer

**Secretary**

H J Siegrist

**Auditors**

Ernst & Young LLP  
Wessex House  
19 Threefield Lane  
Southampton  
SO14 3QB

**Bankers**

Bayerische Hypo-und-Vereinsbank AG  
41 Moorgate  
London  
EC2R 6PP

**Registered office**

Brita House  
9 Granville Way  
Bicester  
OX26 4JT

## Directors' report

The directors present their report and financial statements for the period from 7 July 2003 to 31 December 2004.

### Results and dividends

The loss for the period amounted to £423,040. The directors do not recommend the payment of any dividends.

### Principal activities and review of the business

The principal activity of the company during the period was the manufacture of water filtration cartridges.

The Company was incorporated on 7 July 2003 as a result of the Group's strategic review of its production capabilities. It assumed responsibility for UK manufacturing from its sister company (Brita Water Filter Systems Ltd) in August 2004 and production commenced at the end of September. The financial statements reflect the commissioning and testing of the new manufacturing equipment and initial start-up costs.

In the opinion of the directors the company was in a satisfactory position at 31 December 2004.

### Directors

The directors who served the company during the period were as follows:

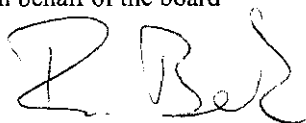
D Banfield	(appointed 4 February 2004)
R Belz	(appointed 4 February 2004)
U Belz	(appointed 4 February 2004)
M Hankammer	(appointed 7 July 2003)

There are no directors' interests requiring disclosure under the Companies Act 1985.

### Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the board



R Belz  
Managing Director  
03.05.2005

## Statement of directors' responsibilities in respect of the financial statements

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 of the company for that period*. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records 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 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 auditors' report**

### **to the members of Brita Manufacturing (UK) Limited**

We have audited the company's financial statements for the period ended 31 December 2004 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Statement of Cash Flows and the related notes 1 to 20. These financial statements have been prepared on the basis of the accounting policies set out therein.

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

### **Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom 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.

## **Independent auditors' report**

**to the members of Brita Manufacturing (UK) Limited** (continued)

### **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 2004 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young LLP*

Ernst & Young LLP  
Registered Auditor  
Southampton

*5 May* 2005

## Profit and loss account

for the period from 7 July 2003 to 31 December 2004

	Notes	Period from 7 Jul 03 to 31 Dec 04 £
<b>Turnover</b>	3	1,372,427
Cost of sales		1,269,886
<b>Gross profit</b>		102,541
Distribution costs		312,764
Administrative expenses		351,103
<b>Operating loss</b>	4	(561,326)
Bank interest receivable	7	3,650
Interest payable and similar charges	8	(44,567)
		(40,917)
<b>Loss on ordinary activities before taxation</b>		(602,243)
Tax on loss on ordinary activities	9	(179,203)
<b>Loss for the financial period</b>		(423,040)

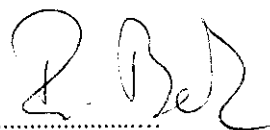
## Statement of total recognised gains and losses

There are no recognised gains or losses other than the loss of £423,040 attributable to the shareholders for the period ended 31 December 2004.

# Balance sheet

at 31 December 2004

	Notes	31 Dec 04 £
<b>Fixed assets</b>		
Tangible assets	10	2,056,991
<b>Current assets</b>		
Stocks	11	452,300
Debtors	12	770,420
Cash at bank		4,960
		<u>1,227,680</u>
<b>Creditors: amounts falling due within one year</b>	13	2,880,166
<b>Net current liabilities</b>		<u>(1,652,486)</u>
<b>Total assets less current liabilities</b>		<u>404,505</u>
<b>Provisions for liabilities and charges</b>	14	127,545
		<u>276,960</u>
<b>Capital and reserves</b>		
Called up share capital	17	700,000
Profit and loss account	18	(423,040)
<b>Equity shareholders' funds</b>	18	<u>276,960</u>



R Belz  
Director

03.05. 2005



## Statement of cash flows

for the period from 7 July 2003 to 31 December 2004

	Notes	Period from 7 Jul 03 to 31 Dec 04 £
<b>Net cash inflow from operating activities</b>	19(a)	1,351,076
<b>Returns on investments and servicing of finance</b>	19(b)	(40,917)
<b>Capital expenditure and financial investment</b>	19(c)	(2,005,199)
<b>Financing</b>	19(d)	700,000
<b>Increase in cash</b>		<u>4,960</u>

### Reconciliation of net cash flow to movement in net funds

		31 Dec 04 £
Increase in cash		4,960
Movement in net funds		<u>4,960</u>
Net funds at 7 July	19(e)	—
Net funds at 31 December	19(e)	<u>4,960</u>

## Notes to the financial statements

at 31 December 2004

### 1. Fundamental accounting concept - going concern

The directors are of the opinion that the going concern basis is the appropriate basis for the preparation of the financial statements. At the period end the company has net current liabilities of £1,652,486. Included within current liabilities is a liability of £2,045,581 owed to its sister company, Brita Water Filter Systems Limited. Brita Water Filter Systems Limited have confirmed that they will not require payment of this amount for a period covering at least 12 months from the date of signature of the financial statements should Brita Manufacturing (UK) Limited not be in a position to pay its debts as they fall due.

The going concern concept is adopted on the basis that the directors consider that the future operating cashflows generated, together with the financial support outlined above, is adequate to ensure that the company will meet its liabilities as and when they fall due for a period at least 12 months from the date of signing of these statutory financial statements.

### 2. Accounting policies

#### *Basis of preparation*

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

#### *Fixed assets*

All fixed assets are initially recorded at cost.

#### *Depreciation*

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Plant & Machinery	-	over 3 to 10 years
Fixtures & Fittings	-	over 10 years

#### *Stocks*

Stock has been valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

#### *Deferred taxation*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

## Notes to the financial statements

at 31 December 2004

### 2. Accounting policies (continued)

#### *Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

#### *Operating lease agreements*

Rentals payable under operating leases are charged into the Profit and Loss account as incurred.

#### *Pension costs*

The company's sister company, Brita Water Filter Systems Limited, operates a defined contribution pension scheme to which the employees of Brita Manufacturing (UK) Limited can belong. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represent the contributions payable to the scheme in respect of the accounting period.

### 3. Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, net of value added tax and trade discounts. Turnover is attributable to the one principal activity of the company. An analysis of turnover by geographical market is given below:

	<i>Period from 7 Jul 03 to 31 Dec 04 £</i>
Germany	<u>1,372,427</u>

### 4. Operating loss

This is stated after charging:

	<i>Period from 7 Jul 03 to 31 Dec 04 £</i>
Auditors' remuneration - audit services	6,000
- non-audit services	<u>-</u>
Depreciation of owned fixed assets	<u>74,799</u>
Operating lease rentals - plant and machinery	127,709
Net loss on foreign currency translation	<u>10,803</u>

## Notes to the financial statements

at 31 December 2004

### 5. Staff costs

	<i>Period from 7 Jul 03 to 31 Dec 04 £</i>
Wages and salaries	255,812
Social security costs	21,807
Other pension costs	487
	<u>278,106</u>

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

	<i>Period from 7 Jul 03 to 31 Dec 04 No.</i>
Production staff	4
Distribution staff	5
Administrative staff	1
	<u>10</u>

### 6. Directors' emoluments

	<i>Period from 7 Jul 03 to 31 Dec 04 £</i>
Emoluments	<u>32,854</u>
Value of company pension contributions to money purchase schemes	<u>3,705</u>

	<i>Period from 7 Jul 03 to 31 Dec 04 No.</i>
Members of money purchase pension schemes	<u>1</u>

### 7. Interest receivable

	<i>Period from 7 Jul 03 to 31 Dec 04 £</i>
Bank interest receivable	<u>3,650</u>

## Notes to the financial statements

at 31 December 2004

### 8. Interest payable and similar charges

*Period from  
7 Jul 03 to  
31 Dec 04  
£*

Interest payable to fellow subsidiary

44,567

### 9. Taxation on ordinary activities

(a) Tax on loss on ordinary activities  
The tax credit is made up as follows:

*Period from  
7 Jul 03 to  
31 Dec 04  
£*

*Current tax:*

Corporation tax

Group relief receivable

(306,748)

Total current tax (note 9(b))

(306,748)

*Deferred tax:*

Origination and reversal of timing differences

127,545

Tax on loss on ordinary activities

(179,203)

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 30%. The differences are reconciled below:

*Period from  
7 Jul 03 to  
31 Dec 04  
£*

Loss on ordinary activities before taxation

(602,243)

Loss on ordinary activities by rate of tax

(180,703)

Expenses not deductible for tax purposes

1,500

Capital allowances in advance of depreciation

(127,545)

Total current tax (note 9(a))

(306,748)

## Notes to the financial statements

at 31 December 2004

### 9. Taxation on ordinary activities (continued)

(c) Deferred tax

	<i>31 Dec 04</i> £
Capital allowances in advance of depreciation	(127,545)
Provision for deferred taxation	<u>(127,545)</u>
	£
Profit and loss account movement arising during the period	(127,545)
At 31 December 2004	<u>(127,545)</u>

### 10. Tangible fixed assets

	<i>Plant &amp; Machinery</i> £	<i>Fixtures &amp; Fittings</i> £	<i>Total</i> £
Cost:			
Additions	2,127,716	4,074	2,131,790
At 31 December 2004	<u>2,127,716</u>	<u>4,074</u>	<u>2,131,790</u>
Depreciation:			
Provided during the period	74,731	68	74,799
At 31 December 2004	<u>74,731</u>	<u>68</u>	<u>74,799</u>
Net book value:			
At 31 December 2004	<u>2,052,985</u>	<u>4,006</u>	<u>2,056,991</u>

### 11. Stocks

	<i>31 Dec 04</i> £
Raw materials	<u>452,300</u>

### 12. Debtors

	<i>31 Dec 04</i> £
Amounts owed by group undertakings	618,767
Other debtors	149,602
Prepayments and accrued income	2,051
	<u>770,420</u>

## Notes to the financial statements

at 31 December 2004

### 13. Creditors: amounts falling due within one year

	<i>31 Dec 04</i> £
Trade creditors	237,967
Amounts owed to group undertakings	2,368,290
Other taxation and social security	224,788
Accruals and deferred income	49,121
	<u>2,880,166</u>

### 14. Provisions for liabilities and charges

	<i>Deferred taxation</i> £
Profit and Loss Account movement arising during the period	127,545
At 31 December 2004	<u>127,545</u>

### 15. Commitments under operating leases

At 31 December 2004 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Assets other than land and buildings</i> £
Operating leases which expire:	
In two to five years	<u>6,060</u>

### 16. Related party transactions

Brita Manufacturing (UK) Limited is controlled by its ultimate parent company, Brita GmbH, a private company incorporated in Germany.

During the period Brita Manufacturing (UK) Limited purchased goods from its parent company, Brita GmbH, amounting to £1,429,785 and made sales to them amounting to £1,372,427. At the year end the company owed Brita GmbH £322,709 and was owed £312,019.

Other group debtors and creditors are:

	<i>Debtors</i> 2004 £	<i>Creditors</i> 2004 £
Brita Water Filter Systems Ltd	306,748	2,045,581

The amount owed to Brita Water Filter Systems Limited, a fellow subsidiary, of £2,045,581 bears an annual interest charge of 1.60% above the published one month Libor interest rate ruling at the last business day of each month. The interest charge for the period amounted to £44,567.

The balance receivable of £306,748 represents group tax relief that was surrendered to Brita Water Filter Systems Limited.

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

## Notes to the financial statements

at 31 December 2004

### 17. Share capital

		<i>Authorised</i>
		<i>31 Dec 04</i>
		£
Ordinary shares of £1 each		<u>700,000</u>
	<i>Allotted, called up and fully paid</i>	
	<i>No.</i>	£
Ordinary shares of £1 each	700,000	<u>700,000</u>

### 18. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i>	<i>Profit and loss</i>	<i>Total share-</i>
	£	account	holders' funds
	£	£	£
At 6 July 2003	—	—	—
New equity share capital subscribed	700,000	—	700,000
Loss for the period	—	(423,040)	(423,040)
At 31 December 2004	<u>700,000</u>	<u>(423,040)</u>	<u>276,960</u>

During the period 700,000 ordinary shares of £1 were issued at par for cash.

### 19. Notes to the statement of cash flows

(a) Reconciliation of operating loss to net cash outflow from operating activities

	<i>Period from</i>
	<i>7 Jul 03 to</i>
	<i>31 Dec 04</i>
	£
Operating loss	(561,326)
Depreciation	74,799
Increase in stocks	(452,300)
Increase in debtors	(463,672)
Increase in creditors	<u>2,753,575</u>
Net cash inflow from operating activities	<u>1,351,076</u>



## Notes to the financial statements

at 31 December 2004

### 19. Notes to the statement of cash flows (continued)

#### (b) Returns on investments and servicing of finance

	<i>Period from 7 Jul 03 to 31 Dec 04 £</i>
Interest received	3,650
Interest paid	(44,567)
	<u>(40,917)</u>

#### (c) Capital expenditure

	<i>Period from 7 Jul 03 to 31 Dec 04 £</i>
Payments to acquire tangible fixed assets	<u>(2,005,199)</u>

#### (d) Financing

	<i>Period from 7 Jul 03 to 31 Dec 04 £</i>
Issue of equity shares	<u>700,000</u>

#### (e) Analysis of changes in net funds

	<i>At 7 July 2003 £</i>	<i>Cash flows £</i>	<i>At 31 December 2004 £</i>
Cash at bank and in hand	—	4,960	4,960
	<u>—</u>	<u>4,960</u>	<u>4,960</u>

### 20. Ultimate parent company

The ultimate parent company is Brita GmbH, a company incorporated in Germany. This is the only company in the group for which consolidated financial statements are prepared. They are not publicly available.