

04824313

## **Brita Manufacturing (UK) Ltd**

### **Report and Financial Statements**

31 December 2006



# **Brita Manufacturing (UK) Limited**

---

Registered No 4824313

## **Directors**

D Banfield  
R Belz  
U Belz  
M Hankammer

## **Secretary**

H J Siegrist

## **Auditors**

Ernst & Young LLP  
Apex Plaza  
Reading  
RG1 1YE

## **Bankers**

Bayerische Hypo-und-Vereinsbank AG  
Moor House  
120 London Wall  
London  
EC2Y 5ET

## **Registered office**

Brita House  
9 Granville Way  
Bicester  
OX26 4JT

## Directors' report

The directors present their report and financial statements for the year ended 31 December 2006

### Results and dividends

The profit for the year, after taxation, amounted to £731,538. 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 year was the manufacture of water filtration cartridges for Brita Group. The company is one of three main plants for Brita Group and is dependent for sales on demand from the sales and distribution entities within the Group.

During the year the company's sales declined by £1.1 million due to a reduction in demand for the type of cartridge manufactured by the company. The directors expect this trend to reverse in 2007 with the commissioning of machinery to manufacture a different type of water filter cartridge.

Despite the decline in sales, operating profit increased due to increased charges to the company's sister company, Brita Water Filter Systems Limited (BWFS), for warehousing and customisation services performed on behalf of that company.

The company monitors its production efficiency using KPIs including reject rates and standard costs.

### Future developments

The directors aim to maintain the management policies which have resulted in the company's profitable results in the past two years.

### Principle Risks and Uncertainties

The principle risk to the business is the variability in demand for its products from the Group's sales and distribution entities, which is itself a function of market demand.

The company is also affected by the raw material prices affecting plastics and other ingredients of its products.

Sales are denominated in Euros and this exposure is the most significant financial risk to which the company is exposed. Future sales are hedged, in conjunction with BWFS for up to 12 months ahead.

The company is partly financed by an interest bearing loan from BWFS. This loan is nominally short term, but the directors of BWFS have agreed to allow repayment of the loan from the company's natural cash generation. The loan pays interest at variable rates, but this risk is not considered material by the directors.

### Directors

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

D Banfield  
R Belz  
U Belz  
M Hankammer

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

The company is a wholly owned subsidiary of Brita GmbH. M Hankammer is also a director of the parent company.

## Directors' report

### Directors liability

The company has provided insurance for one or more of the directors of the company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985. Such qualifying third party provisions were in force during the year and are in force as at the date of approving the director's report.

### Auditors

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

### Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 2. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



R Belz  
Managing Director  
8 March 2007

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

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make 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, 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 year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

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

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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

### **Basis of audit opinion**

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

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

## **Independent auditors' report**

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

### **Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

*Ernst & Young LLP*

Ernst & Young LLP

Registered auditor

Reading

*13 March* 2007

## Profit and loss account

for the year ended 31 December 2006

	Notes	2006 £	2005 £
<b>Turnover</b>	3	6,905,592	8,016,866
Cost of sales		5,245,024	6,281,673
<b>Gross profit</b>		1,660,568	1,735,193
Distribution costs		144,302	512,702
Administrative expenses		390,798	617,242
<b>Operating profit</b>	4	1,125,468	605,249
Interest receivable	7	257	126
Interest payable and similar charges	8	(86,338)	(126,981)
		(86,081)	(126,855)
<b>Profit on ordinary activities before taxation</b>		1,039,387	478,394
Tax on profit on ordinary activities	9	307,849	146,379
<b>Profit retained for the financial year</b>		731,538	332,015

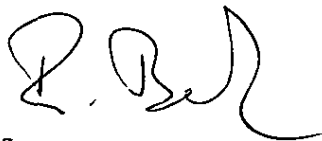
## Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit of £731,538 attributable to the shareholders for the year ended 31 December 2006 (2005 - profit of £332,015)



**Balance sheet**  
at 31 December 2006

	Notes	2006 £	2005 £
<b>Fixed assets</b>			
Tangible assets	10	2,616,570	2,238,921
<b>Current assets</b>			
Stocks	11	228,402	176,533
Debtors	12	559,240	745,981
Cash at bank		11,275	4,486
		798,917	927,000
<b>Creditors: amounts falling due within one year</b>	13	1,832,806	2,413,746
<b>Net current liabilities</b>		(1,033,889)	(1,486,746)
<b>Total assets less current liabilities</b>		1,582,681	752,175
Provisions for liabilities and charges	14	242,168	143,200
		1,340,513	608,975
<b>Capital and reserves</b>			
Called up share capital		700,000	700,000
Profit and loss account	18	640,513	(91,025)
<b>Equity shareholders' funds</b>	18	1,340,513	608,975



R Belz  
Director

8 March 2007

## Statement of cash flows

for the year ended 31 December 2006

	Notes	2006 £	2005 £
<b>Net cash inflow from operating activities</b>	19(a)	908,939	435,769
<b>Returns on investments and servicing of finance</b>	19(b)	(86,081)	(126,855)
<b>Taxation</b>	19(c)	(173,550)	-
<b>Capital expenditure and financial investment</b>	19(d)	(642,519)	(309,388)
<b>Financing</b>		-	-
<b>Increase/(Decrease) in cash</b>		<u>6,789</u>	<u>(474)</u>
<b>Reconciliation of net cash flow to movement in net funds</b>			
		2006 £	2005 £
Increase/(Decrease) in cash		<u>6,789</u>	<u>(474)</u>
Movement in net funds		6,789	(474)
Net funds at 1 January	19(e)	<u>4,486</u>	<u>4,960</u>
Net funds at 31 December	19(e)	<u>11,275</u>	<u>4,486</u>

## Notes to the financial statements

at 31 December 2006

### 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 year end the company has net current liabilities of £1,033,889. Included within current liabilities is a liability of £1,334,114 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 of at least 12 months from the date of signing of these statutory financial statements.

### 2. Accounting policies

#### *Basis of preparation*

The financial statements of Brita Manufacturing (UK) Limited were approved for issue by the Board of Directors on the date shown on the Balance Sheet.

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

#### *Fixed assets*

All fixed assets are initially recorded at cost.

#### *Depreciation*

Depreciation is provided on all tangible fixed assets, 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 and machinery	- over 3 to 10 years
Fixtures and fittings	- over 10

#### *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 2006

### 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 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 amounts 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

	2006 £	2005 £
Germany	<u>6,905,592</u>	<u>8,016,866</u>

### 4. Operating profit

This is stated after charging/(crediting)

	2006 £	2005 £
Auditors' remuneration - audit services	9,300	9,000
- non-audit services	-	-
Depreciation of owned fixed assets	264,870	233,503
Operating lease rentals - plant and machinery	38,024	33,672
Net profit on foreign currency translation	<u>(25,815)</u>	<u>(23,268)</u>

## Notes to the financial statements

at 31 December 2006

### 5. Staff costs

	2006 £	2005 £
Wages and salaries	776,088	745,380
Social security costs	72,020	57,718
Staff pension contributions	17,248	14,781
	<u>865,356</u>	<u>817,879</u>

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

	2006 No	2005 No
Production staff	14	13
Distribution staff	21	16
Administrative staff	2	3
	<u>37</u>	<u>32</u>

### 6. Directors' emoluments

	2006 £	2005 £
Emoluments	<u>10,796</u>	<u>138,025</u>
Value of company pension contributions to money purchase schemes	<u>-</u>	<u>7,017</u>

## Notes to the financial statements

at 31 December 2006

### 6. Directors' emoluments (continued)

	2006 No	2005 No
Members of money purchase pension schemes	-	1

### 7 Interest receivable

	2006 £	2005 £
Bank interest receivable	257	126

### 8. Interest payable and similar charges

	2006 £	2005 £
Interest payable to fellow subsidiary	86,338	126,981

### 9. Taxation on ordinary activities

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

	2006 £	2005 £
<i>Current tax</i>		
UK corporation tax on profits of the period	218,898	49,495
Adjustments in respect of previous periods	(10,017)	81,229
Total current tax (note 9(b))	208,881	130,724
<i>Deferred tax</i>		
Originating and reversal of timing differences	98,968	15,655
Tax on profit on ordinary activities	307,849	146,379

## Notes to the financial statements

at 31 December 2006

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

#### (b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 30% (2005 30%). The differences are reconciled below

	2006 £	2005 £
Profit on ordinary activities before taxation	<u>1,039,387</u>	<u>478,394</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 30%)	311,816	143,518
Expenses not deductible for tax purposes	1,050	4,705
Capital allowances in excess of depreciation	(93,968)	(98,728)
Adjustments in respect of previous periods	<u>(10,017)</u>	<u>81,229</u>
Total current tax (note 9(a))	<u>208,881</u>	<u>130,724</u>

#### (c) Provision for Deferred tax

	£
At 1 January 2006	(143,200)
Profit and loss account	(93,968)
Adjustments in respect of prior years	<u>(5,000)</u>
At 31 December 2006	<u>(242,168)</u>

The deferred tax consists of

	2006 £	2005 £
Accelerated capital allowances	<u>(242,168)</u>	<u>(143,200)</u>
Provision for deferred tax liabilities	<u>(242,168)</u>	<u>(143,200)</u>

## Notes to the financial statements

at 31 December 2006

### 10. Tangible fixed assets

	<i>Assets under Construction</i>	<i>Plant &amp; Machinery</i>	<i>Fixtures &amp; Fittings</i>	<i>Motor Vehicles</i>	<i>Total</i>
	£	£		£	£
Cost					
At 1 January 2006	-	2,525,860	20,992	371	2,547,223
Additions	596,773	44,151	1,595	-	642,519
At 31 December 2006	<u>596,773</u>	<u>2,570,011</u>	<u>22,587</u>	<u>371</u>	<u>3,189,742</u>
Depreciation					
At 1 January 2006	-	306,177	1,754	371	308,302
Provided during the year	-	262,757	2,113	-	264,870
At 31 December 2006	<u>-</u>	<u>568,934</u>	<u>3,867</u>	<u>371</u>	<u>573,172</u>
Net book value					
At 31 December 2006	<u>596,773</u>	<u>2,001,077</u>	<u>18,720</u>	<u>-</u>	<u>2,616,570</u>
At 1 January 2006	<u>-</u>	<u>2,219,683</u>	<u>19,238</u>	<u>-</u>	<u>2,238,921</u>



## Notes to the financial statements

at 31 December 2006

### 11. Stocks

	2006 £	2005 £
Raw materials	<u>228,402</u>	<u>176,533</u>

There is no material difference between the balance sheet value of stocks and their replacement cost

### 12. Debtors

	2006 £	2005 £
Amounts owed by group undertakings	548,149	732,420
Other debtors	881	7,725
Prepayments and accrued income	10,210	5,836
	<u>559,240</u>	<u>745,981</u>

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

	2006 £	2005 £
Trade creditors	166,257	347,497
Amounts owed to group undertakings	1,433,139	1,815,607
Corporation tax	85,506	50,175
Other taxation	37,853	30,009
Accruals and deferred income	110,051	170,458
	<u>1,832,806</u>	<u>2,413,746</u>

## Notes to the financial statements

at 31 December 2006

### 14. Provisions for liabilities and charges

	<i>Deferred taxation £</i>
At 1 January 2006	143,200
Charge for the year (note 9)	98,968
At 31 December 2006	<u>242,168</u>

### 15. Commitments under operating leases

At 31 December 2006 the company had annual commitments under non-cancellable operating leases as set out below

	<i>2006 Other £</i>	<i>2005 Other £</i>
Operating leases which expire		
Within one year	38,970	-
In two to five years	70,038	37,967
	<u>109,008</u>	<u>37,967</u>

## Notes to the financial statements

at 31 December 2006

### 16. Related party transactions

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

During the year Brita Manufacturing (UK) Limited purchased goods from group companies as follows

	2006 £	2005 £
Brita GmbH	998,389	3,335,885
Brita AG	631,924	630,664

Sales were made to the immediate parent company, Brita GmbH, to the amount of £6,905,592 (2005 £8,016,866)

Debtors and creditors include

	<i>Debtors</i> 2006 £	<i>Creditors</i> 2006 £	<i>Debtors</i> 2005 £	<i>Creditors</i> 2005 £
Brita GmbH	548,149	26,952	728,061	52,327
Brita Water Filter Systems Ltd	-	1,334,114	-	1,736,484
Brita AG	-	72,073	4,359	26,796
	<u>548,149</u>	<u>1,433,139</u>	<u>732,420</u>	<u>1,815,607</u>

The amount owed to Brita Water Filter Systems Limited, a fellow subsidiary, of £1,334,114 (2005 £1,736,484) bears an annual interest charge of 1.6% above the published one month Libor interest rate ruling at the last business day of each month. The interest charged during the year amounted to £86,338 (2005 £126,981)

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

### 17. Share capital

	2006 £	Authorised 2005 £
Ordinary shares of £1 each	<u>700,000</u>	<u>700,000</u>

	<i>No</i>	<i>Allotted, called up and fully paid</i> 2006 £	<i>No</i>	<i>2005 £</i>
Ordinary shares of £1 each	700,000	<u>700,000</u>	700,000	<u>700,000</u>

## Notes to the financial statements

at 31 December 2006

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

	<i>Share capital</i>	<i>Profit and loss</i>	<i>Total share-</i>
	<i>£</i>	<i>account</i>	<i>holders' funds</i>
	<i>£</i>	<i>£</i>	<i>£</i>
At 1 January 2005	700,000	(423,040)	276,960
Profit for the year	-	332,015	332,015
At 31 December 2005	700,000	(91,025)	608,975
Profit for the year	-	731,538	731,538
At 31 December 2006	700,000	640,513	1,340,513

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

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

	<i>2006</i>	<i>2005</i>
	<i>£</i>	<i>£</i>
Operating profit	1,125,468	605,249
Depreciation	264,870	233,503
(Increase)/decrease in stocks	(51,869)	275,767
Decrease in debtors	186,741	24,439
(Decrease) in creditors	(616,271)	(703,189)
Net cash inflow from operating activities	908,939	435,769

(b) Returns on investments and servicing of finance

	<i>2006</i>	<i>2005</i>
	<i>£</i>	<i>£</i>
Interest received	257	126
Interest paid	(86,338)	(126,981)
	(86,081)	(126,855)

(c) Taxation

	<i>2006</i>	<i>2005</i>
	<i>£</i>	<i>£</i>
Corporation tax paid	(173,550)	-
	(173,550)	-

## Notes to the financial statements

at 31 December 2006

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

(d) Capital expenditure

	2006 £	2005 £
Payments to acquire tangible fixed assets	(642,519)	(309,388)
	<u>(642,519)</u>	<u>(309,388)</u>

(e) Analysis of changes in net funds

	<i>At 1 January 2006 £</i>	<i>Cash flows £</i>	<i>At 31 December 2006 £</i>
Cash at bank and in hand	4,486	6,789	11,275
	<u>4,486</u>	<u>6,789</u>	<u>11,275</u>

### 20. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £2,214,200 (2005 - £nil)

### 21 Ultimate parent company

The ultimate holding company is Hanvest Holding GmbH, a company incorporated in Germany. The only company in the group preparing consolidated financial statements is Brita GmbH (Brita Manufacturing (UK) Limited's immediate parent). They are not available to the public.