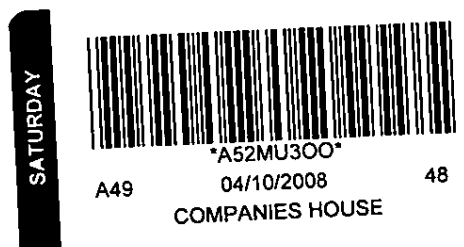


# **Brita Manufacturing (UK) Limited**

## **Report and Financial Statements**

31 December 2007



# **Brita Manufacturing (UK) Limited**

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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  
Oxon  
OX26 4JT

## Directors' report

The directors present their report and financial statements for the year ended 31 December 2007

### Results and dividends

The profit for the year, after taxation, amounted to £853,995 (2006 £731,538) The directors do not recommend the payment of any dividends (2006 £nil)

### 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 a new production line for manufacturing Maxtra water filter cartridges was installed and commissioned and this is reflective in the fixed asset investment figure of £1.6 million

Sales increased by £4 million due both to the newly installed capacity and higher utilisation of the existing line The growth in demand for the Company's products is expected to continue in 2008

Despite significant growth in raw material costs due to increases in global commodity prices, operating profit increased by £0.2 million to £1.3 million

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

### Principal risks and uncertainties

The principal 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 a sister company, Brita Water Filter Systems Ltd (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

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

## Directors' report (continued)

### 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.

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

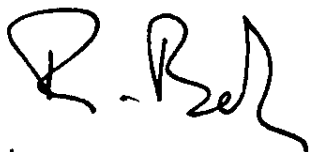
The directors who were members of the board at the time of approving the directors' report are listed on page 2. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- 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.

### 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  
Director

Date 25.3.2008

## 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 judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 that 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.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **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 2007 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 (continued)

### 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 2007 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  
Registered auditor  
Reading

Date *31 March 2008*

## Profit and loss account for the year ended 31 December 2007

	Notes	2007 £	2006 £
<b>Turnover</b>	3	10,910,184	6,905,592
Cost of sales		8,903,678	5,245,024
<b>Gross profit</b>		2,006,506	1,660,568
Distribution costs		230,880	144,302
Administrative expenses		447,564	390,798
<b>Operating profit</b>	4	1,328,062	1,125,468
Interest receivable	7	7,702	257
Interest payable and similar charges	8	(150,254)	(86,338)
		(142,552)	(86,081)
<b>Profit on ordinary activities before taxation</b>		1,185,510	1,039,387
Tax on profit on ordinary activities	9	331,515	307,849
<b>Profit retained for the financial year</b>		853,995	731,538

## Statement of total recognised gains and losses for the year ended 31 December 2007

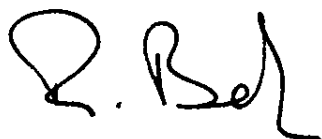
There are no recognised gains or losses other than the profit of £853,995 attributable to the shareholders for the year ended 31 December 2007 (2006 profit of £731,538)



# **Balance sheet** at 31 December 2007

	Notes	2007 £	2006 £
<b>Fixed assets</b>			
Tangible assets	10	3,654,272	2,616,570
<b>Current assets</b>			
Stocks	11	483,024	228,402
Debtors	12	946,883	559,240
Cash at bank		60,342	11,275
		<u>1,490,249</u>	<u>798,917</u>
<b>Creditors</b> amounts falling due within one year	13	2,646,008	1,832,806
<b>Net current liabilities</b>		<u>(1,155,759)</u>	<u>(1,033,889)</u>
<b>Total assets less current liabilities</b>		<u>2,498,513</u>	<u>1,582,681</u>
Provisions for liabilities and charges	14	304,005	242,168
		<u>2,194,508</u>	<u>1,340,513</u>
<b>Capital and reserves</b>			
Called up share capital	17	700,000	700,000
Profit and loss account	18	1,494,508	640,513
<b>Shareholders' funds</b>	18	<u>2,194,508</u>	<u>1,340,513</u>

Approved by the Board



R Belz  
Director

Date 25.3.2008

## Statement of cash flows

for the year ended 31 December 2007

	Notes	2007 £	2006 £
<b>Net cash inflow from operating activities</b>	19(a)	1,819,567	822,601
<b>Returns on investments and servicing of finance</b>	19(b)	5,962	257
<b>Taxation</b>	19(c)	(182,682)	(173,550)
<b>Capital expenditure and financial investment</b>	19(d)	(1,593,780)	(642,519)
<b>Financing</b>		-	-
<b>Increase in cash</b>		<u>49,067</u>	<u>6,789</u>

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

		2007 £	2006 £
Increase in cash		<u>49,067</u>	<u>6,789</u>
Movement in net funds		49,067	6,789
Net funds at 1 January	19(e)	<u>11,275</u>	<u>4,486</u>
Net funds at 31 December	19(e)	<u>60,342</u>	<u>11,275</u>

## Notes to the financial statements

at 31 December 2007

### 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 £1,155,759 (2006 £1,033,889). Included within current liabilities is a liability of £1,643,776 (2006 £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 cash flows 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.

#### *Change in estimation technique*

During the year, the useful economic life of plant within tangible fixed assets was reassessed in order to align the accounting policy with Brita Group accounting principles. The effect of the reduction in useful economic life from 10 years to 8 years applied prospectively has resulted in additional depreciation being charged to the profit and loss account of £126,577 for the year.

#### *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 8 years
Fixtures and 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.

#### *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, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

#### *Sale of goods*

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

## Notes to the financial statements

at 31 December 2007

### 2. Accounting policies (continued)

#### *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

#### *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

	2007 £	2006 £
Germany	<u>10,910,184</u>	<u>6,905,592</u>

### 4. Operating profit

This is stated after charging/(crediting)

	2007 £	2006 £
Auditors' remuneration - audit of the financial statements	<u>9,300</u>	<u>9,300</u>
Depreciation of owned fixed assets	<u>556,078</u>	<u>264,870</u>
Operating lease rentals - plant and machinery	39,193	38,024
Net profit on foreign currency translation	<u>(41,528)</u>	<u>(25,815)</u>

## Notes to the financial statements

at 31 December 2007

### 5. Staff costs

	2007 £	2006 £
Wages and salaries	962,079	776,088
Social security costs	93,923	72,020
Staff pension contributions	23,608	17,248
	<u>1,079,610</u>	<u>865,356</u>

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

	2007 No	2006 No
Production staff	20	14
Distribution staff	20	21
Administrative staff	4	2
	<u>44</u>	<u>37</u>

### 6. Directors' emoluments

	2007 £	2006 £
Emoluments	-	10,796
Value of company pension contributions to money purchase schemes	-	-

	2007 No	2006 No
Members of money purchase pension schemes	-	-

### 7. Interest receivable

	2007 £	2006 £
Bank interest receivable	763	257
Other interest receivable	6,939	-
	<u>7,702</u>	<u>257</u>

### 8. Interest payable and similar charges

	2007 £	2006 £
Interest payable to fellow subsidiary	148,514	86,338
Other interest payable	1,740	-
	<u>150,254</u>	<u>86,338</u>

## Notes to the financial statements

at 31 December 2007

### 9. Taxation on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2007 £	2006 £
<i>Current tax</i>		
UK corporation tax on profits of the period	276,068	218,898
Adjustments in respect of previous periods	(6,390)	(10,017)
Total current tax (note 9(b))	<u>269,678</u>	<u>208,881</u>
<i>Deferred tax</i>		
Originating and reversal of timing differences	61,837	98,968
Tax on profit on ordinary activities	<u>331,515</u>	<u>307,849</u>

(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% (2006 30%) The differences are reconciled below

	2007 £	2006 £
Profit on ordinary activities before taxation	<u>1,185,510</u>	<u>1,039,387</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	355,653	311,816
Expenses not deductible for tax purposes	1,530	1,050
Capital allowances in excess of depreciation	(81,115)	(93,968)
Adjustments in respect of previous periods	(6,390)	(10,017)
Total current tax (note 9(a))	<u>269,678</u>	<u>208,881</u>

(c) Provision for deferred tax

	£
At 1 January 2007	(242,168)
Profit and loss account	(58,222)
Adjustments in respect of prior years	(3,615)
At 31 December 2007	<u>(304,005)</u>

The deferred tax consists of

	2007 £	2006 £
Accelerated capital allowances	<u>(304,005)</u>	<u>(242,168)</u>
Provision for deferred tax liabilities	<u>(304,005)</u>	<u>(242,168)</u>

## Notes to the financial statements

at 31 December 2007

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

From financial year 2008, the UK corporation tax rate will reduce from 30% to 28%. This rate change will affect the amount of future cash tax payments to be made by the company. The deferred tax liability carried forward has been calculated at 28% thereby reducing the size of the company's deferred tax liability going forward.

Changes to the UK capital allowance regime have also been proposed, the most significant of these changes for the company is the reduction in the rate of capital allowances applicable to plant and machinery expenditure from 25% to 20% per annum on a reducing balance basis from 1 April 2008. The effect on the company of these proposed changes to the UK tax system will be fully reflected in the company's financial statements for the year ending 31 December 2008.

### 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> £
<i>Cost</i>					
At 1 January 2007	596,773	2,570,011	22,587	371	3,189,742
Additions	–	1,589,204	4,576	–	1,593,780
Transfers	(563,945)	563,945	–	–	–
At 31 December 2007	32,828	4,723,160	27,163	371	4,783,522
<i>Depreciation</i>					
At 1 January 2007	–	568,934	3,867	371	573,172
Provided during the year	–	553,743	2,335	–	556,078
At 31 December 2007	–	1,122,677	6,202	371	1,129,250
<i>Net book value</i>					
At 31 December 2007	32,828	3,600,483	20,961	–	3,654,272
At 1 January 2007	596,773	2,001,077	18,720	–	2,616,570

### 11. Stocks

	2007 £	2006 £
Raw materials	483,024	228,402

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

### 12. Debtors

	2007 £	2006 £
Amounts owed by group undertakings	920,232	548,149
Other debtors	6,909	881
Prepayments and accrued income	19,742	10,210
	946,883	559,240

## Notes to the financial statements

at 31 December 2007

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

	2007 £	2006 £
Trade creditors	468,170	166,257
Amounts owed to group undertakings	1,766,449	1,433,139
Corporation tax	172,882	85,506
Other taxation	48,279	37,853
Accruals and deferred income	190,228	110,051
	<u>2,646,008</u>	<u>1,832,806</u>

### 14. Provisions for liabilities and charges

	<i>Deferred taxation</i> £
At 1 January 2007	242,168
Charge for the year (note 9)	61,837
At 31 December 2007	<u>304,005</u>

### 15. Commitments under operating leases

At 31 December 2007 the company had annual commitments under non-cancellable operating leases as set out below

	2007 £	2006 £
<i>Operating leases which expire</i>		
Within one year	41,161	38,970
In two to five years	62,376	70,038
	<u>103,537</u>	<u>109,008</u>

### 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

	2007 £	2006 £
Brita GmbH	1,980,674	998,389
Brita AG	1,461,394	631,924
	<u>3,442,068</u>	<u>1,630,313</u>

Sales were made to the immediate parent company, Brita GmbH, to the amount of £10,910,184 (2006 £6,905,592)





## Notes to the financial statements

at 31 December 2007

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

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

	2007 £	2006 £
Operating profit	1,328,062	1,125,468
Depreciation	556,078	264,870
(Increase)/decrease in stocks	(254,622)	(51,869)
(Increase)/decrease in debtors	(536,157)	100,403
Increase/(decrease) in creditors	726,206	(616,271)
Net cash inflow from operating activities	<u>1,819,567</u>	<u>822,601</u>

(b) Returns on investments and servicing of finance

	2007 £	2006 £
Interest received	7,702	257
Interest paid	(1,740)	—
	<u>(5,962)</u>	<u>257</u>

(c) Taxation

	2007 £	2006
Corporation tax paid	(182,682)	(173,550)
	<u>(182,682)</u>	<u>(173,550)</u>

(d) Capital expenditure

	2007 £	2006 £
Payments to acquire tangible fixed assets	(1,593,780)	(642,519)
	<u>(1,593,780)</u>	<u>(642,519)</u>

(e) Analysis of changes in net funds

	At 1 January 2007 £	Cash flows £	At 31 December 2007 £
Cash at bank and in hand	11,275	49,067	60,342
	<u>11,275</u>	<u>49,067</u>	<u>60,342</u>

### 20. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £nil (2006 £2,214,000)

## Notes to the financial statements

at 31 December 2007

### 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.