Brita Manufacturing (UK) Limited

Report and Financial Statements

31 December 2011

Directors
R Belz
M Hankammer
C Seabrook
C West

Secretary
H J Siegrist

Auditors
Ernst & Young LLP
Apex Plaza
Reading RG1 1YE

Bankers
UniCredit Bank 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 2011

Results and dividends

The profit for the year, after taxation, amounted to £735,723 (2010 – profit of £948,158) No interim dividends were paid during the year and the directors do not recommend a final dividend is declared for approval at the AGM (2010 – £1,500,000)

Principal activities and review of the business

The principal activity of the company during the year was the manufacture of water filtration cartridges for the 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

Manufactured cartridge volume decreased 7% during the year with continued efficient allocation of group demand across the group's manufacturing facilities requiring less UK production for our Classic production line

Logistics and customisation services sales in 2011 were £877,844 (2010 – £1 million) The reduction was due to implementing LEAN methods which have assisted with process improvements This has enabled us to produce the same level of service but at a lower cost due to time reduction

Gross margin % remained the same at 18% due to the reduction in both sales and cost of sales

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 and services 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

Whilst sales are now priced in sterling, the majority of cost of sales are denominated in euros and this exposure is the most significant financial risk to which the company is exposed The company uses forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates

Donations

In November 2011 the company made a donation to Toyota Manufacturing UK Charity of £750 This was made following a seminar regarding LEAN processes Funds are distributed to local good causes

In January 2012 the company made a contribution of £3,000 towards the £30,000 donated by its sister company Brita Water Filter Systems Ltd to Bardwell School in Bicester This was to support their project to build a new communication and interaction room for children with varying degrees of disability

Going concern

The company's business activities, together with the factors likely to affect its future development are discussed elsewhere in this report

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 GmbH, which is willing and able to provide support The company is profitable

Directors' report (continued)

Going concern (continued)

The company is dependent for its revenues on the level of activity within Brita Water Filter Systems Ltd and other BRITA group companies and the directors have considered the possibility of change in this demand for the company's resources Having made due enquiries of other members of the group and considered the business development of its main intercompany customers the directors are satisfied that any foreseeable change in this demand will not significantly adversely affect its performance

As a result, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual financial statements

Directors

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

D Banfield (resigned 6th July 2011)
R Belz
M Hankammer
C Seabrook (appointed 6th July 2011)
C West

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

Directors' liability

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 auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its 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

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

Director ROLF BELZ

Date 7.3.2012

Statement of directors' responsibilities

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) 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 of the company for that period In preparing these 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 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 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 Manufacturing (UK) Limited

We have audited the financial statements of Brita Manufacturing (UK) Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Statement of Cash Flows and the related notes 1 to 19 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatement or inconsistencies we consider he implications for our report

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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

Ernst & Young LLP

David Brown (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Reading

Date 7/03/2012

Profit and loss account

for the year ended 31 December 2011

	Notes	2011 £	2010 £
Turnover	2	17,542,623	18,558,458
Cost of sales		14,377,610	15,194,475
Gross profit		3,165,013	3,363,983
Distribution costs		1,527,825	1,430,878
Administrative expenses		643,174	606,771
Operating profit	3	994,014	1,326,334
Interest receivable and similar income	6	299	–
Interest payable and similar charges	7	–	9,016
		299	9,016
Profit on ordinary activities before taxation		994,313	1,317,318
Tax on profit on ordinary items	8	258,590	369,160
Profit retained for the financial year	15	735,723	948,158

All amounts relate to continuing activities

Statement of total recognised gains and losses

for the year ended 31 December 2011

There are no recognised gains or losses other than the profit of £735,723 attributable to the shareholders of the company for the year ended 31 December 2011 (2010 – profit of £948,158)

Balance sheet

at 31 December 2011

	Notes	2011 £	2010 £
Fixed assets			
Tangible fixed assets	10	1,855,969	2,261,689
Current assets			
Stocks	11	557,782	478,107
Debtors	12	2,048,526	835,789
Cash at bank		1,329,397	2,793,834
		3,935,705	4,107,730
Creditors amounts falling due within one year	13	1,789,506	1,529,557
Net current assets		2,146,199	2,578,173
Total assets less current liabilities		4,002,168	4,839,862
Provisions for liabilities and charges			
Deferred taxation	8(c)	82,025	155,442
Net assets		3,920,143	4,684,420
Capital and reserves			
Called up share capital	14	700,000	700,000
Profit and loss account	15	3,220,143	3,984,420
Shareholders' funds	15	3,920,143	4,684,420

Director Rolf Belz

Date 7.3.2012

Statement of cash flows
for the year ended 31 December 2011

	Notes	2011 £	2010 £
Net cash inflow from operating activities	16(a)	607,700	3,359,671
Returns on investments and servicing of finance	16(b)	299	–
Taxation	16(c)	(290,713)	(514,114)
Capital expenditure and financial investment	16(d)	(281,723)	(83,435)
Equity dividends paid	9	(1,500,000)	–
(Decrease)/increase in cash		(1,464,437)	2,762,122

Reconciliation of net cash flow to movement in net funds

	Notes	2011 £	2010 £
(Decrease)/increase in cash		(1,464,437)	2,762,122
Movement in net funds		(1,464,437)	2,762,122
Net funds at 1 January	16(e)	2,793,834	31,712
Net funds at 31 December	16(e)	1,329,397	2,793,834

Notes to the financial statements

at 31 December 2011

1. Accounting policies

Basis of preparation

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

Tangible fixed assets

All fixed assets are initially recorded at cost

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
Computer Equipment	–	over 3 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

Depreciation commences when the asset is brought into use

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

Sale of services

Revenue from the provision of logistics and customisation services is recognised by reference to the stage of completion Stage of completion is measured by reference to labour hours incurred or pallets handled within a period

Notes to the financial statements

at 31 December 2011

1. Accounting policies (continued)

Deferred taxation

Deferred taxation 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 right to pay less or to receive more, tax, with 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

Where possible, foreign currency exposures are hedged to achieve a rate better than or equal to the budgeted rate for the year, using either economic or financial hedges

Operating leases

Rentals payable under operating leases are charged into the profit and loss account on a straight line basis over the lease term

Pensions

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

2. 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 two principal activities of the company being the manufacture of water filtration cartridges and the provision of warehouse services

An analysis of turnover by geographical market is given below

	2011	*2010*
	£	*£*
Germany – Goods	16,664,780	17,591,201
Germany – Services	108,518	94,768
United Kingdom – Services	769,325	872,489
	17,542,623	18,558,458

Notes to the financial statements
at 31 December 2011

3. Operating profit

This is stated after charging

	2011	2010
	£	£
Auditors' remuneration – audit of financial statements	10,500	10,454
– taxation services	10,120	9,800
Depreciation of owned fixed assets	685,951	671,093
Loss on sale of fixed asset	1,492	–
Operating lease rentals – plant and machinery	43,152	35,037
Net (gain)/loss on foreign currency translation	(148,543)	12,447

4. Directors' emoluments

	2011	2010
	£	£
Emoluments	84,719	85,121
Company contributions paid to defined contribution pension schemes	7,329	6,877
	No	No
Members of defined contribution pension schemes	1	1

Certain directors of the company are also directors or officers of other companies within the Brita GmbH group and remunerated by other group companies These directors' services to the company do not occupy a significant amount of their time As such these directors do not consider that they receive any remuneration for their incidental services to the company for the years ended 31 December 2010 and 31 December 2011

Notes to the financial statements

at 31 December 2011

5. Staff costs

	2011	*2010*
	£	*£*
Wages and salaries	1,363,299	1,336,919
Social security costs	134,891	130,151
Other pension costs	59,286	56,230
	1,557,476	1,523,300

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

	2011	*2010*
	No	*No*
Production staff	26	27
Distribution staff	24	27
Administrative staff	5	5
	55	59

6. Interest receivable and similar income

	2011	*2010*
	£	*£*
Corporation tax interest receivable	299	–

7. Interest payable and similar charges

	2011	*2010*
	£	*£*
Interest payable to fellow subsidiary	–	9,016
	–	9,016

Notes to the financial statements

at 31 December 2011

8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2011 £	*2010* £
Current tax		
UK corporation tax on the profits for the year	339,156	443,648
Adjustment in respect of previous periods	(7,149)	(7,384)
Total current tax (note 8(b))	332,007	436,264
Deferred tax		
Origination and reversal of timing differences	(70,402)	(67,104)
Effect of changes in tax rate on opening liability	(3,015)	–
Total deferred tax (note 8(c))	(73,417)	(67,104)
Tax on profit on ordinary activities	258,590	369,160

(b) Factors affecting the current tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 26 5% (2010 – 28%) The differences are explained below

	2011 £	*2010* £
Profit on ordinary activities before tax	994,313	1,317,318
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26 5% (2010 – 28%)	263,493	368,849
Effects of		
Expenses not deductible for tax purposes	2,809	4,668
Depreciation in excess of capital allowances	71,481	68,912
Adjustment in respects of previous periods	(7,149)	(7,384)
Other timing differences	1,373	1,219
Current tax for the year (note 8(a))	332,007	436,264

Notes to the financial statements

at 31 December 2011

8. Tax (continued)

(c) Deferred tax

	£
At 1 January 2011	(155,442)
Profit and loss account (note 8 (a))	73,417
At 31 December 2011	(82,025)

The deferred tax liability consists of

	2011 £	*2010* £
Accelerated capital allowances	(84,464)	(167,939)
Other timing differences	2,439	12,497
Provision for deferred tax liabilities	(82,025)	(155,442)

The 2010 UK Budget announced that the UK rate of corporation tax will reduce by 1% each year for the next 4 years from 28% to 24% for periods commencing 1 April 2011 In the recent UK budget it was announced that the UK rate of corporation tax would be reduced by 2% from 1 April 2011 (to 26%) and then reduce by 1% each year as previously announced to 23% from 1 April 2014 At the balance sheet date of 31 December 2011, the reduction to 25% had been substantively enacted, therefore any deferred tax liability has been recognised at a rate of 25%

The effect on the Company of the future reductions in the rate will be reflected in the Company's financial statements in future years, as appropriate, once the proposals have been substantively enacted

The potential impact of the reduction in rate on the deferred tax liability in respect of accelerated capital allowances is £6,757 and on the deferred tax asset in respect of other timing differences is £195

9. Dividends

	2011 £	*2010* £
Equity dividends on ordinary shares		
Prior year proposed dividends declared and paid in the year	1,500,000	–

Notes to the financial statements

at 31 December 2011

10. Tangible fixed assets

	Plant and machinery £	*Fixtures and fittings* £	*Total* £
At 1 January 2011	5,280,537	58,172	5,338,709
Additions	285,723	–	285,723
Disposals	(15,000)	–	(15,000)
At 31 December 2011	5,551,260	58,172	5,609,432
Depreciation			
At 1 January 2011	3,057,408	19,612	3,077,020
Provided during the year	680,114	5,837	685,951
Disposals	(9,508)	–	(9,508)
At 31 December 2011	3,728,014	25,449	3,753,463
Net book value			
At 31 December 2011	1,823,246	32,723	1,855,969
At 1 January 2011	2,223,129	38,560	2,261,689

Included in Plant and Machinery is computer equipment and software with a NBV of £32,732 (2010 £47,241)

Plant & Machinery includes spare parts £208,557 (2010 £194,117), which are non saleable and are currently not in use, therefore not being depreciated

11. Stocks

	2011 £	*2010* £
Raw materials	557,782	478,107

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

12. Debtors

	2011 £	*2010* £
Trade debtors	2,160	–
Amounts owed by group undertakings	2,029,852	817,202
Other debtors	4,005	4,014
Prepayments and accrued income	12,509	14,573
	2,048,526	835,789

Notes to the financial statements

at 31 December 2011

13. Creditors: amounts falling due within one year

	2011	*2010*
	£	*£*
Trade creditors	413,023	374,886
Amounts owed to group undertakings	420,319	335,693
Corporation tax	271,780	230,989
Other taxation	566,030	431,319
Accruals and deferred income	118,354	156,670
	1,789,506	1,529,557

14. Issued share capital

		2011		*2010*
Allotted, called up and fully paid	*No*	*£*	*No*	*£*
Ordinary shares of £1 each	700,000	700,000	700,000	700,000

15. Reconciliation of shareholders' funds and movements on reserves

	Share capital	*Profit and loss account*	*Total shareholders' funds*
	£	*£*	*£*
At 1 January 2010	700,000	3,036,262	3,736,262
Profit for the year	–	948,158	948,158
At 1 January 2011	700,000	3,984,420	4,684,420
Profit for the year	–	735,723	735,723
Dividends	–	(1,500,000)	(1,500,000)
At 31 December 2011	700,000	3,220,143	3,920,143

Notes to the financial statements

at 31 December 2011

16. Notes to the statement of cashflows

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

	2011 £	*2010* £
Operating profit	994,014	1,326,334
Depreciation	685,951	671,093
Loss on sale of fixed asset	1,492	–
(Increase)/decrease in stocks	(79,675)	27,330
(Increase)/decrease in debtors	(1,212,737)	2,702,477
Increase/(decrease) in creditors	218,655	(1,367,563)
Net cash inflow from operating activities	607,700	3,359,671

(b) Returns on investments and servicing of finance

	2011 £	*2010* £
Interest received	299	–

(c) Taxation

	2011 £	*2010* £
Corporation tax paid	(290,713)	(514,114)

(d) Capital expenditure

	2011 £	*2010* £
Payments to acquire tangible fixed assets	(285,723)	(83,435)
Proceeds from sale of tangible asset	4,000	-
	(281,723)	(83,435)

Notes to the financial statements

at 31 December 2011

16. Notes to the statement of cashflows (continued)

(e) Analysis of changes in net funds

	At 1 January 2011 £	*Cash Outflows* £	*At 31 December 2011* £
Cash at bank and in hand	2,793,834	(1,464,437)	1,329,397

17. Commitments under operating leases

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as set out below

	2011 £	*2010* £
Operating Leases which expire		
Within one year	4,681	–
In two to five years	31,707	37,789
	36,388	37,789

18. Related party transactions

The company is a wholly owned subsidiary of Brita GmbH Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with wholly owned fellow subsidiary companies of the Brita GmbH Group

19. Ultimate parent undertaking and controlling party

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