

**PURE CHOICE
WATERCOOLERS LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2002



PURE CHOICE WATERCOOLERS LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2002

Company registration number: 02542607

Registered office: Dickinson Dees
St Ann's Wharf
112 Quayside
Newcastle upon Tyne
NE99 1SB

Directors: Mr T J Lamb
Mr J J Mugniery
Mr P L Jacob
Mr A J Y Guttinger

Secretary: Dickinson Dees

Bankers: Royal Bank of Scotland plc
90 Guildhall Street
Bury St Edmunds
Suffolk
IP33 1PH

Solicitors: Dickinson Dees
St Ann's Wharf
112 Quayside
Newcastle upon Tyne
NE99 1SB

Auditors: Grant Thornton
Registered Auditors
Chartered Accountants
Enterprise House
115 Edmund Street
Birmingham
B3 2HJ

PURE CHOICE WATERCOOLERS LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2002

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PURE CHOICE WATERCOOLERS LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 December 2002.

Principal activities

The company is principally engaged in the supply of mineral water and cooling equipment to commercial and domestic users.

Business review

There was a loss for the year after taxation amounting to £530,822 (five months ended 31 December 2001: loss £71,529). The directors do not recommend payment of a dividend.

On 19 December 2002 the entire issued share capital of Chateaud'eau International SA, the immediate parent undertaking of Chateaud'eau UK Limited, was acquired by Danone SA.

Directors

The present membership of the Board is set out below. J M Theron resigned as Director on 19 December 2002. R Azera resigned as a Director on 23 July 2003.

Mr T J Lamb

Mr J J Mugniery

Mr P L Jacob (appointed 19 December 2002)

Mr A J Y Guttinger (appointed 23 July 2003)

No director had an interest in the share capital of the company at 1 January 2002 or 31 December 2002, or the date of appointment if later. The interests of the directors who are also directors of the ultimate parent undertaking, Danone SA, are disclosed in that company's financial statements.

Directors' responsibilities for 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
- 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 maintaining proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PURE CHOICE WATERCOOLERS LIMITED

REPORT OF THE DIRECTORS

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD

Director

Date


16/12/03

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
PURE CHOICE WATERCOOLERS LIMITED**

We have audited the financial statements of Pure Choice Watercoolers Limited for the year ended 31 December 2002 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 19. 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 directors' report and the financial statements in accordance with United Kingdom law and accounting standards 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 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 other information contained in the directors' report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of 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.

Opinion

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


GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
BIRMINGHAM

16 December 2003

PURE CHOICE WATERCOOLERS LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

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

The financial statements have been prepared on a going concern basis since the immediate parent undertaking, Chateaud'eau UK Limited, has confirmed its intention to provide sufficient funds to enable the company to meet its liabilities as they fall due for a period of at least twelve months.

TURNOVER

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Depreciation is calculated to write down the cost or valuation less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The rates generally applicable are:

Cooler equipment	20%
Plant and machinery	20%
Motor vehicles	25%
Computer equipment	33.3%

INTANGIBLE FIXED ASSETS

Purchased goodwill is amortised on a straight-line basis over its estimated useful economic life of 20 years.

STOCKS

Stocks are stated at the lower of cost and net realisable value.

DEFERRED TAXATION

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance date.

CONTRIBUTIONS TO PENSION FUNDS

Defined contribution scheme

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

LEASED ASSETS

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

PURE CHOICE WATERCOOLERS LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 2002

	Note	Year ended 31 December 2002 £	5 months ended 31 December 2001 £
Turnover	1	414,650	120,212
Cost of sales		(310,614)	(103,714)
Gross profit		104,036	16,498
Administrative expenses		(223,962)	(86,676)
Operating loss		(119,926)	(70,178)
Exceptional items			
Loss on sale of fixed assets		-	(2,015)
Interest payable and similar charges	2	(421,541)	(4,877)
Loss on ordinary activities before taxation	1	(541,467)	(77,070)
Tax on loss on ordinary activities	4	10,645	5,541
Loss transferred from reserves	14	(530,822)	(71,529)

There were no recognised gains or losses other than the loss for the financial year.

PURE CHOICE WATERCOOLERS LIMITED

BALANCE SHEET AT 31 DECEMBER 2002

	Note	2002 £	2002 £	2001 £	2001 £
Fixed assets					
Intangible assets	5		359,879		379,157
Tangible assets	6		119,862		118,729
Investments	7		12,043,600		2,350,200
			<u>12,523,341</u>		<u>2,848,086</u>
Current assets					
Stocks	8	2,893		22,008	
Debtors	9	115,948		79,622	
Cash at bank and in hand		8,240		4,820	
		<u>127,081</u>		<u>106,450</u>	
Creditors: amounts falling due within one year	10	(634,510)		(592,556)	
Net current liabilities			<u>(507,429)</u>		<u>(486,106)</u>
Total assets less current liabilities			<u>12,015,912</u>		<u>2,361,980</u>
Creditors: amounts falling due after more than one year	11		<u>(12,618,163)</u>		<u>(2,433,409)</u>
			<u>(602,251)</u>		<u>(71,429)</u>
Capital and reserves					
Called up share capital	13		100		100
Profit and loss account	14		(602,351)		(71,529)
Shareholders' funds	15		<u>(602,251)</u>		<u>(71,429)</u>

The financial statements were approved by the Board of Directors on 16.12.03

Director


T J LAMB

The accompanying accounting policies and notes form an integral part of these financial statements.

PURE CHOICE WATERCOOLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The loss on ordinary activities is stated after:

	Year ended 31 December 2002 £	5 months ended 31 December 2001 £
Auditors' remuneration	14,335	3,000
Depreciation and amortisation:		
Goodwill	19,278	6,412
Tangible fixed assets, owned	33,275	9,770
Tangible fixed assets, held under finance leases and hire purchase contracts	6,974	-
Hire of plant and machinery	481	-

2 INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 December 2002 £	5 months ended 31 December 2001 £
Finance charges in respect of finance leases	943	134
Interest payable to group undertakings	420,598	4,743
	421,541	4,877

3 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	Year ended 31 December 2002 £	5 months ended 31 December 2001 £
Wages and salaries	161,264	50,129
Social security costs	11,987	3,904
Other pension costs	2,816	723
	176,067	54,756

PURE CHOICE WATERCOOLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

The average number of employees of the company during the year were as follows:

	Year ended 31 December 2002 Number	5 months ended 31 December 2001 Number
Administration	5	4
Sales and distribution	5	5
	<u>10</u>	<u>9</u>

No director received any remuneration from the company during the period.

4 TAX ON LOSS ON ORDINARY ACTIVITIES

The tax charge/(credit) represents:

	Year ended 31 December 2002 £	5 months ended 31 December 2001 £
United Kingdom corporation tax at 30% (2001: 30%)	-	-
Group relief	(10,645)	(5,541)
Total current tax	(10,645)	(5,541)
Total deferred tax	-	-
Tax on profit on ordinary activities	<u>(10,645)</u>	<u>(5,541)</u>

The tax assessed for the period is higher than the standard rate of corporation tax in the UK 30% (2001: 30%). The differences are explained as follows:

	Year ended 31 December 2002 £	5 months ended 31 December 2001 £
Loss on ordinary activities before tax	<u>(541,467)</u>	<u>(77,070)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%).	(162,440)	(23,121)
Expenses not deductible for tax purposes	14,247	8,135
Depreciation in excess of capital allowances	6,185	1,339
Un-relieved trading losses carried forward	131,363	8,106
Current tax charge for period	<u>(10,645)</u>	<u>(5,541)</u>

PURE CHOICE WATERCOOLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

5 INTANGIBLE FIXED ASSETS

	Purchased goodwill £
Cost	
At 1 January 2002	385,569
Amortisation	
At 1 January 2002	6,412
Charge for the year	19,278
At 31 December 2002	25,690
Net book amount at 31 December 2002	359,879
Net book amount at 31 December 2001	379,157

Purchased goodwill is being written off over its estimated useful life of 20 years.

6 TANGIBLE FIXED ASSETS

	Cooler equipment £	Plant and machinery £	Motor vehicles £	Computer equipment £	Total £
Cost					
At 1 January 2002	41,376	33,540	46,915	6,373	128,204
Additions	35,883	2,541	-	2,958	41,382
	77,259	36,081	46,915	9,331	169,586
Depreciation					
At 1 January 2002	2,967	2,236	3,210	1,062	9,475
Provided in the year	13,705	7,153	15,776	3,615	40,249
	16,672	9,389	18,986	4,677	49,724
Net book amount at 31 December 2002	60,587	26,692	27,929	4,654	119,862
Net book amount at 31 December 2001	38,409	31,304	43,705	5,311	118,729

PURE CHOICE WATERCOOLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

The figures stated above include assets held under finance leases and similar hire purchase contracts, as follows:

	Motor vehicles £
Net book amount at 31 December 2002	<u><u>20,516</u></u>
Net book amount at 31 December 2001	<u><u>27,524</u></u>
Depreciation provided during year	<u><u>6,974</u></u>

7 FIXED ASSETS INVESTMENTS

	Shares in group undertakings £
Cost	
At 1 January 2002	2,350,200
Additions	<u>9,693,400</u>
At 31 December 2002	<u>12,043,600</u>
Net book amount at 31 December 2002	<u><u>12,043,600</u></u>
Net book amount at 31 December 2001	<u><u>2,350,200</u></u>

PURE CHOICE WATERCOOLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

At 31 December 2002 the company held more than 20% of the allotted share capital of the following undertakings:

	Country of incorporation	Class of share capital held	Proportion held	Nature of business	Capital and reserves	Profit/(loss) for the financial year
Aquacoast Limited	England and Wales	Ordinary	100%	Supply of mineral water and cooling equipment	£111,252	£(6,772)
Cool Water (London) Limited	England and Wales	Ordinary	96.91%	Supply of mineral water and cooling equipment	£(20,727)	£(218,055)
Premier Pure Limited	England and Wales	Ordinary	48.02%	Supply of mineral water and cooling equipment	£[o/s]	£[o/s]
Coola Vend Limited	England and Wales	Ordinary	100%	Supply of mineral water and cooling equipment	£(4,218)	£(8,094)
London Springs Limited	England and Wales	Ordinary	100%	Supply of mineral water and cooling equipment	£(184,710)	£(163,784)
Wellbrook Watercoolers Limited	England and Wales	Ordinary	100%	Supply of mineral water and cooling equipment	£242,333	£4,358
Aquarius Water Services	England and Wales	Ordinary	100%	Supply of mineral water and cooling equipment	£222,141	£67,813
Caledonian Coolers Limited	England and Wales	Ordinary	100%	Supply of mineral water and cooling equipment	£30,215	£(78,758)
Seven Springs Limited	England and Wales	Ordinary	100%	Supply of mineral water and cooling equipment	£(407,371)	£(407,471)

8 STOCKS

	2002 £	2001 £
Finished goods and goods for resale	<u>2,893</u>	<u>22,008</u>

PURE CHOICE WATERCOOLERS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2002

9 DEBTORS

	2002 £	2001 £
Trade debtors	94,513	51,207
Amounts owed by group undertakings	16,186	5,541
Other debtors	5,234	21,469
Taxation recoverable	15	-
Prepayments and accrued income	-	1,405
	<u>115,948</u>	<u>79,622</u>

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Trade creditors	32,816	61,613
Amounts owed to group undertakings	500,000	500,000
Social security and other taxes	23,429	3,017
Other creditors	16	3,294
Accruals and deferred income	69,904	13,321
Amounts due under finance leases	8,345	11,311
	<u>634,510</u>	<u>592,556</u>

11 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002 £	2001 £
Amounts owed to group undertakings	12,610,737	2,419,943
Amounts due under finance leases	7,426	13,466
	<u>12,618,163</u>	<u>2,433,409</u>

Borrowings are repayable as follows:

	2002 £	2001 £
Within one year		
Finance leases	8,345	11,311
After one and within two years		
Finance leases	7,426	13,466
	<u>15,771</u>	<u>24,777</u>

PURE CHOICE WATERCOOLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

12 LEASING COMMITMENTS

Operating lease payments amounting to £11,000 (2001: £11,000) are due within one year. The leases to which these amounts relate expire as follows:

	2002 Land and buildings £	2001 Land and buildings £
Between one and five years	<u>11,000</u>	<u>11,000</u>

13 SHARE CAPITAL

	2002 £	2001 £
Authorised 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

14 RESERVES

	Profit and loss account £
At 1 January 2002	(71,529)
Retained loss for the year	<u>(530,822)</u>
At 31 December 2002	<u>(602,351)</u>

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Loss for the financial year	<u>(530,822)</u>	<u>(71,529)</u>
Net decrease in shareholders' funds	<u>(530,822)</u>	<u>(71,529)</u>
Shareholders' funds at 1 January 2002	<u>(71,429)</u>	<u>100</u>
Shareholders' funds at 31 December 2002	<u>(602,251)</u>	<u>(71,429)</u>

PURE CHOICE WATERCOOLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

16 CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 2002 or 31 December 2001.

17 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2002 or 31 December 2001.

18 PENSIONS

Defined Contribution Scheme

The company operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the company.

19 ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is Chateaud'eau UK Limited, a company registered in England and Wales. The directors consider that the ultimate parent undertaking of this company is Danone SA incorporated in France.

The largest and smallest group of undertakings for which group accounts have been drawn up is that headed by Danone SA, incorporated in France. The group accounts are available to the public.

The company has taken advantage of the exemption in FRS 8 'Related Party Transactions' not to disclose details of transactions with other members of the group headed by Danone SA.