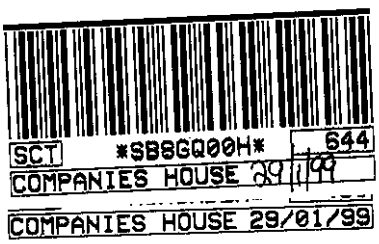
SC 119721

Water at Work Limited

Report and Accounts

31 December 1997



COMPANIES HOUSE 29/01/99

IAM.

ERNST & YOUNG

Registered No. 119721

DIRECTOR
S E Allen
D Schickli

SECRETARY
L J Stordy

AUDITORS
Ernst & Young
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

REGISTERED OFFICE
George House
George Square
Glasgow
G2 1RR

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DIRECTOR'S REPORT

The directors present their report and the audited accounts for the period ended 31 December 1997.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £731,569. The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITY

The principal activity of the company during the period was that of supplying spring water cooling systems and spring water.

DIRECTORS

The directors of the company during the period and their interest in the shares of the company as recorded in the register of directors' interest were as follows :

	31 December 1997 Ordinary shares	*31 January 1997 Ordinary shares*
S L Larson (appointed 6 February 1997, resigned 19 March 1998)	-	-
J Duffy (resigned 6 February 1997)	-	1

The interests of the directors in the share capital of the company's parent, Sparkling Spring Water UK Limited, are shown in that company's accounts.

In addition S E Allen was appointed a director on 18 March 1998 and Dillon Schickli was appointed a director on 6 May 1998.

YEAR 2000 COMPLIANCE

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

The company is well advanced in the phase of assessing the risks to our business resulting from the date change to the Year 2000.

A company-wide programme, designed to address the impact of the Year 2000 on our business, has been commissioned by the Board and is under way. Resources have been allocated and the Board receives regular reports on progress.

A significant risk analysis has been performed to determine the impact of the issue on all our activities. From this, prioritised action plans have been developed which are designed to address the key risks in advance of critical dates and without disruption to the underlying business processes. Priority is given to those systems which could cause a significant financial or legal impact on the company's business if they were to fail. The plan also includes a requirement for the testing of systems changes, involving the participation of users.

The risk analysis also considers the impact on our business of Year 2000 related failures by our significant suppliers and customers. In appropriate cases we have initiated formal communication with these other parties.

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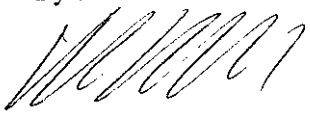
DIRECTOR'S REPORT

YEAR 2000 COMPLIANCE (continued)
Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problem will remain, because at least some level of failure may still occur. However, the Board believes that it will achieve an acceptable state of readiness and has also provided resources to deal promptly with significant subsequent failures or issues that might arise.

Much of the cost of implementing the action plans will be subsumed into the recurring activities of the departments involved. The total cost of modifications to our computer hardware and software is not considered to be material in the context of the scale of the company operations.

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

By order of the board



26 JAN 1999

ERNST & YOUNG

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, 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 accounts; and
- prepare the accounts 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 accounts 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.

ERNST & YOUNG

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REPORT OF THE AUDITORS
to the members of Water at Work Limited

We have audited the accounts on pages 6 to 14, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1997 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young
Registered Auditor
London

26 JAN 1999

PROFIT AND LOSS ACCOUNT
for the period ended 31 December 1997

	Notes	*11 months ended 31 December 1997* £	*Restated Year ended 31 January 1997* £
TURNOVER	2	2,738,186	2,207,214
Cost of sales		465,966	506,249
GROSS PROFIT		2,272,220	1,700,965
Administrative expenses		(1,532,026)	(1,419,416)
OPERATING PROFIT	3	740,194	281,549
Interest receivable		5,491	456
Interest payable	6	(11,366)	(36,113)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		734,319	245,892
Taxation	7	2,750	72,500
RETAINED PROFIT FOR THE PERIOD		731,569	173,392

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £731,569 in the period ended 31 December 1997 and the profit of £173,392 in the year ended 31 January 1997.

ERNST & YOUNG

BALANCE SHEET
at 31 December 1997

	Notes	31 December 1997 £	Restated 31 January 1997 £
FIXED ASSETS			
Tangible assets	8	802,304	535,665
Investments	9	25,090	25,165
		827,394	560,830
CURRENT ASSETS			
Stocks	10	23,360	-
Debtors	11	1,025,788	793,289
Cash at bank and in hand		250,088	54,344
		1,299,236	847,633
CREDITORS: amounts falling due within one year	12	536,440	726,097
NET CURRENT ASSETS		762,796	121,536
TOTAL ASSETS LESS CURRENT LIABILITIES		1,590,190	682,366
CREDITORS : amounts falling due after more than one year	13	251,108	74,853
		1,339,082	607,513
CAPITAL AND RESERVES			
Called up share capital	15	81,100	81,100
Profit and loss account	16	1,257,982	526,413
		1,339,082	607,513

Non-equity interests in the share capital and reserves comprise called up share capital of £25,000 (31 January 1997 - £25,000).

As stated in note 8 to the accounts, the company has changed its accounting policy for coolers and bottlers. Coolers and bottlers previously accounted for as stock have been capitalised at their carrying values. There is no effect on reserves.

26 JAN 1999

Director

ERNST & YOUNG

NOTES TO THE ACCOUNTS
at 31 December 1997

1. ACCOUNTING POLICIES

Basis of accounting
The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Depreciation
Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows :

Plant and machinery	20% reducing balance
Motor vehicles	35% reducing balance
Fixtures and fittings	20% reducing balance

Leases and hire purchase contracts
Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Stocks
Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in, first out basis. Net realisable value is based on estimated selling price less the estimated cost of disposal.

Cash flow statement
The company has taken advantage of the exemption from preparing a cash flow statement conferred by Financial Reporting Standard No. 1 on the grounds that it is a wholly owned subsidiary of a parent which produces publicly available group accounts.

Consolidation
The company itself is a subsidiary undertaking of an EC parent. The company has therefore taken advantages of the exemption provided by Section 228 of the Companies Act 1985 not to prepare group accounts. The company and its subsidiaries are included in the group accounts of Sparkling Spring Water UK Limited.

2. TURNOVER
Turnover represents the amount derived from the provision of goods and services which fall within the company's ordinary continuing activities stated net of value added tax.

In the opinion of the directors, none of the turnover of the company is attributable to geographical markets outside the UK.

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NOTES TO THE ACCOUNTS
at 31 December 1997

3. OPERATING PROFIT

This is stated after charging:

			11 months ended 31 December 1997 £	*Restated Year ended 31 January 1997* £
Auditors' remuneration			4,800	4,800
Operating leases rentals	-	land and buildings	17,250	17,250
	-	plant and machinery	93,230	117,220
(Gain)/loss on sale of assets			(6,545)	8,169
Depreciation of tangible fixed assets				
owned assets			153,659	137,850
leased assets			46,286	10,739
			199,945	148,589

4. DIRECTORS

	11 months ended 31 December 1997 £	*Year ended 31 January 1997* £
Directors' emoluments	-	27,000

5. STAFF COSTS

	11 months ended 31 December 1997 £	*Year ended 31 January 1997* £
Wages and salaries	613,153	607,388
Social security costs	56,613	57,241
	669,766	664,629

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NOTES TO THE ACCOUNTS
at 31 December 1997

5. STAFF COSTS (continued)

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

	11 months ended 31 December 1997 No.	*Year ended 31 January 1997* No.
Sales	8	8
Distribution	32	25
Maintenance	1	1
Production	6	6
Administration	6	6
	53	46

6. INTEREST PAYABLE

	11 months ended 31 December 1997 £	*Year ended 31 January 1997* £
Finance lease and hire purchase contracts	11,366	14,753
Other interest payable	-	21,360
	11,366	36,113

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	11 months ended 31 December 1997 £	*Year ended 31 January 1997* £
UK corporation tax	2,750	72,500

The effective tax rate for the current period is reduced by the availability of tax losses from fellow subsidiary undertakings.

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NOTES TO THE ACCOUNTS
at 31 December 1997

8. TANGIBLE FIXED ASSETS

	Motor vehicles £	*Restated Plant and machinery* £	*Fixtures and fittings* £	*Total* £
Cost:				
At 1 February 1997 (restated)	76,762	737,538	14,394	828,694
Additions	185,878	391,644	662	578,184
Disposals	(58,188)	(117,677)	-	(175,865)
At 31 December 1997	204,452	1,011,505	15,056	1,231,013
Depreciation:				
At 1 February 1997 (restated)	28,340	256,625	8,064	293,029
Charge for the period	49,675	149,130	1,140	199,945
Disposals	(21,901)	(42,364)	-	(64,265)
At 31 December 1997	56,114	363,391	9,204	428,709
Net book value:				
At 31 December 1997	148,338	648,114	5,852	802,304
At 1 February 1997 (restated)	48,422	480,913	6,330	535,665

The net book amount of fixed assets includes £109,892 (31 January 1997 - £32,216) in respect of assets held under finance leases and hire purchase contracts, the depreciation of which is shown in note 3.

During the period, the company changed its accounting policy for coolers and bottlers. Coolers and bottlers previously accounted for as stock are now being capitalised within fixed assets as they are, predominantly, not held for re-sale. Cooler and bottle stocks have been capitalised at their carrying values and there is no effect on reserves.

9. FIXED ASSET INVESTMENTS

	Investments other than loans £
Cost:	
At 1 February 1997	25,165
Disposals	(75)
At 31 December 1997	25,090

The company owned the entire share of Your Label Water Company Limited, which ceased trading during the period and was subsequently struck off after the year end. The cost of the investment has, therefore, been written off.

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NOTES TO THE ACCOUNTS
at 31 December 1997

9. FIXED ASSET INVESTMENTS (continued)

Company	*% Holding*	*Class of share*
Natural Water Limited	100	Ordinary
	100	Preference

The principal activity of Natural Water Limited is that of supplying spring water.

10. STOCKS

	31 December 1997 £	*Restated 31 January 1997* £
Stocks	23,360	-

11. DEBTORS

	31 December 1997 £	*31 January 1997* £
Amounts falling due within one year:		
Trade debtors	555,204	395,731
Amounts owed by group undertakings	397,745	319,307
Other debtors	44,239	60,092
Prepayments and accrued income	28,600	18,159
	1,025,788	793,289

12. CREDITORS: amounts falling due within one year

	31 December 1997 £	*31 January 1997* £
Bank loans	-	35,417
Other loans	-	83,079
Trade creditors	108,817	94,435
Amounts owed to group undertakings	138,093	79,844
Corporation tax	13,099	82,239
Other taxation and social security	67,772	67,046
Other creditors	100,216	207,315
Accruals and deferred income	61,782	36,336
Obligations under finance leases and hire purchase contracts - note 14	46,661	40,386
	536,440	726,097

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13. CREDITORS: amounts falling due after more than one year

	31 December 1997 £	*31 January 1997* £
Other creditors	183,373	74,853
Obligations under finance leases - note 14	67,735	-
	251,108	74,853

14. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	31 December 1997 £	*31 January 1997* £
Amounts falling due:		
within one year	54,007	46,208
within two to five years	78,398	-
	132,405	46,208
Less: finance charges allocated to future periods	(18,009)	(5,822)
	114,396	40,386
Allocated as follows:		
current obligations	46,661	40,386
non-current obligations	67,735	-
	114,396	40,386

15. CALLED UP SHARE CAPITAL

	Number of shares	*31 December 1997* £	*Number of shares*	*31 January 1997* £
Authorised:				
Ordinary shares of £1 each	75,000	75,000	75,000	75,000
Preference shares of £1 each	25,000	25,000	25,000	25,000
		100,000		100,000
Allotted called up and fully paid:				
Ordinary shares of £1 each	56,100	56,100	56,100	56,100
Preference shares of £1 each	25,000	25,000	25,000	25,000
		81,100		81,100

Subsequent to the year end, on 3 March 1998, all of the preference shares were converted into Ordinary Shares of £1 each, ranking pari passu with the existing ordinary shares of the company.

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NOTES TO THE ACCOUNTS
at 31 December 1997

16. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	*Profit and loss account* £	*Total* £
At 1 February 1996	81,100	353,021	434,121
Profit for the year	-	173,392	173,392
At 31 January 1997	81,100	526,413	607,513
Profit for the period	-	731,569	731,569
At 31 December 1997	81,100	1,257,982	1,339,082

17. OTHER FINANCIAL COMMITMENTS

At 31 December 1997 the company had annual commitments under non-cancellable operating leases as set out below:

Operating leases which expire:

	Land and buildings		*Other*	
	31 December 1997 £	*31 January 1997* £	*31 December 1997* £	*31 January 1997* £
In two to five years	11,640	-	102,554	102,554
In over five years	22,480	34,120	-	-
	34,120	34,120	102,554	102,554

18. RELATED PARTY TRANSACTIONS

Water at Work Limited is the holding company for Natural Water Limited. All of the company's shares are owned by Marlborough Employment Limited.

The company has taken advantage of the exemption available under Financial Reporting Standard 8 not to disclose transactions with other group companies.

19. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking and controlling party at the balance sheet date is Sparkling Spring Water Group Limited, a company incorporated in Canada. Accounts for this entity are available from 19 Fielding Avenue, Dartmouth, Nova Scotia, Canada, B3B 1C9.

The parent undertaking of the smallest and largest group of which the company is a member and for which group accounts are prepared is Sparkling Spring Water UK Limited and Sparkling Spring Water Group Limited. Copies of the accounts of Sparkling Spring Water UK Limited are available from its registered office: Unit 5 Alexandra Way, Ashchurch Business Centre, Tewkesbury, Gloucestershire, GL20 8NB.

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