119721

Water at Work Limited

Report and Accounts

31 December 1998

ERNST & YOUNG



Water at Work Limited

Registered No. SC119721

DIRECTOR
S E Allen
D Schickli

SECRETARY
L J Stordy

BANKERS
The Royal Bank of Scotland
9 Clifton Place
Glasgow
G3 7JU

SOLICITORS
Charles Russell
8-10 New Fetter Lane
London
EC4A 1RS

AUDITORS
Ernst & Young
One Bridewell Street
Bristol
BS1 2AA

REGISTERED OFFICE
George House
George Square
Glasgow
G2 1RR

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DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1998.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £1,315,000 (1997 re-stated - £694,000). The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company during the year was that of supplying spring water cooling systems and spring water. Turnover and profitability significantly increased during the year.

FUTURE DEVELOPMENTS

The directors anticipate reporting further increases in turnover and profitability in the year to 31 December 1999.

DIRECTORS AND THEIR INTERESTS

The directors at 31 December 1998, neither of whom had any interest in the share capital of the company at any time during the year, were as follows:

S E Allen (appointed 18 March 1998)
D Schickli (appointed 6 May 1998)

In addition S L Larson served as a director until 19 March 1998 when he resigned.

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.

A company-wide programme, designed to address the impact of the Year 2000 on our business, has been completed. 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 achieved an acceptable state of readiness and continues to provide resources to deal promptly with significant subsequent failures or issues that might arise.

Much of the cost of implementing the action plans has been 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 the members at the Annual General Meeting.

On behalf of the board

Director

Jan 31/2000

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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.

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

We have audited the accounts on pages 5 to 12, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Registered Auditor
Bristol

31/1/00

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1998

	Notes	*Year to 31 December 1998* £'000	*11 months to 31 December 1997 Re-stated* £'000
TURNOVER	2	3,715	2,701
Cost of sales		661	466
GROSS PROFIT		3,054	2,235
Administrative expenses		1,738	1,532
OPERATING PROFIT	3	1,316	703
Interest receivable		18	5
Interest payable	5	(19)	(11)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,315	697
Taxation	6	-	3
PROFIT FOR THE FINANCIAL YEAR		1,315	694

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 1998

There are no recognised gains or losses other than the profit of £1,315,000 in the year ended 31 December 1998 (11 months to 31 December 1997 re-stated - £694,000).

The cumulative effect of prior year adjustments made during the year was £280,000.

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BALANCE SHEET
at 31 December 1998

	Notes	*1998* £'000	*1997 Re-stated* £'000
FIXED ASSETS			
Tangible assets	7	927	802
Investments	8	25	25
		952	827
CURRENT ASSETS			
Stocks	9	35	23
Debtors	10	2,381	1,026
Cash at bank and in hand		294	250
		2,710	1,299
CREDITORS: amounts falling due within one year	11	900	711
NET CURRENT ASSETS		1,810	588
TOTAL ASSETS LESS CURRENT LIABILITIES		2,762	1,415
CREDITORS : amounts falling due after more than one year	12	389	357
		2,373	1,058
CAPITAL AND RESERVES			
Called up share capital	14	81	81
Profit and loss account	15	2,292	977
		2,373	1,058
Shareholders' funds are attributable to:			
Equity interests		2,373	1,033
Non-equity interests		-	25
		2,373	1,058

Director

Date 31/2/1999

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NOTES TO THE ACCOUNTS
at 31 December 1998

1. ACCOUNTING POLICIES

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

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 subsidiary undertaking are included in the group accounts of Nature Springs Water Company Limited (formerly Sparkling Spring Water UK Limited).

Depreciation
Depreciation of tangible fixed assets is calculated to write off their cost 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

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

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.

Leasing and hire purchase commitments
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 year of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

Cash flow statement
The company has taken advantage of the exemption from preparing a cash flow statement conferred by FRS 1 (Revised) on the grounds that it is a wholly owned subsidiary of a parent undertaking which produces publicly available group accounts.

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

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NOTES TO THE ACCOUNTS
at 31 December 1998

3. OPERATING PROFIT

This is stated after charging/(crediting):

	Year to 31 December 1998 £'000	*11 months to 31 December 1997 £'000*
Auditors' remuneration	5	5
Depreciation of owned fixed assets	193	154
Depreciation of leased fixed assets	38	46
Loss/(profit) on sale of fixed assets	4	(7)
Operating leases rentals - land and buildings	17	17
- plant and machinery	98	93

4. STAFF COSTS

	Year to 31 December 1998 £'000	*11 months to 31 December 1997 £'000*
Wages and salaries	835	613
Social security costs	77	57
	912	670

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

	Year to 31 December 1998 No.	*11 months to 31 December 1997 No.*
Sales	16	8
Distribution	24	32
Maintenance	3	1
Production	3	6
Administration	8	6
	54	53

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NOTES TO THE ACCOUNTS
at 31 December 1998

5. INTEREST PAYABLE

	Year to 31 December 1998 £'000	*11 months to 31 December 1997 £'000*
Finance lease and hire purchase contracts	7	11
Other interest payable	12	-
	19	11

6. TAXATION

	Year to 31 December 1998 £'000	*11 months to 31 December 1997 £'000*
UK corporation tax	-	3

There is no tax charge for the year due to the availability of group relief.

7. TANGIBLE FIXED ASSETS

	Motor vehicles £'000	*Plant and machinery £'000*	*Fixtures and fittings £'000*	*Total £'000*
Cost:				
At 1 January 1998	204	1,012	15	1,231
Additions	71	275	24	370
Disposals	(19)	(7)	-	(26)
At 31 December 1998	256	1,280	39	1,575
Depreciation:				
At 1 January 1998	56	364	9	429
Charge for the year	67	161	3	231
Disposals	(10)	(2)	-	(12)
At 31 December 1998	113	523	12	648
Net book value:				
At 31 December 1998	143	757	27	927
At 1 January 1998	148	648	6	802

The net book amount of fixed assets includes £71,000 (1997 - £110,000) in respect of assets held under finance leases and hire purchase contracts.

Included in fixed assets above are coolers leased on operating leases to third parties at an original cost of £967,000 (1997 - £770,000) less accumulated depreciation of £402,000 (1997 - £281,000).

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NOTES TO THE ACCOUNTS
at 31 December 1998

8. INVESTMENTS

	Subsidiary undertaking £'000
Cost:	
At 1 January 1998 and at 31 December 1998	25

The company owns the entire ordinary and preference share capital of Natural Water Limited, a company registered in Scotland, whose principal activity is supplying spring water.

9. STOCKS

	1998 £'000	*1997 £'000*
Goods for resale	35	23

10. DEBTORS

	1998 £'000	*1997 £'000*
Trade debtors	799	555
Amounts owed by group undertakings	1,527	398
Other debtors	20	44
Prepayments and accrued income	35	29
	2,381	1,026

11. CREDITORS: amounts falling due within one year

	1998 £'000	*1997 Re-stated £'000*
Trade creditors	245	109
Amounts owed to group undertakings	77	138
Corporation tax	12	13
Other taxation and social security	111	68
Other creditors	105	100
Accruals and deferred income	303	237
Obligations under finance leases and hire purchase contracts (note 13)	47	46
	900	711

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

	1998 £'000	*1997 Re-stated £'000*
Other creditors	368	289
Obligations under finance leases and hire purchase contracts (note 13)	21	68
	389	357

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NOTES TO THE ACCOUNTS
at 31 December 1998

13. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	1998 £'000	*1997 £'000*
Amounts falling due:		
within one year	54	54
within two to five years	24	78
	78	132
Less: finance charges allocated to future years	(10)	(18)
	68	114
Analysed as follows:		
Current obligations	47	46
Non-current obligations	21	68
	68	114

14. CALLED UP SHARE CAPITAL

	No. '000	*1998 £'000*	*No. '000*	*1997 £'000*
Authorised:				
Ordinary shares of £1 each	100	100	75	75
Preference shares of £1 each	-	-	25	25
		100		100
Allotted called up and fully paid:				
Ordinary shares of £1 each	81	81	56	56
Preference shares of £1 each	-	-	25	25
		81		81

On 5 March 1998 the preference shares were converted to ordinary shares.

15. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £'000	*Profit and loss account £'000*	*Total £'000*
At 31 January 1997 - as previously stated	81	526	607
Prior year adjustments	-	(243)	(243)
At 31 January 1997 - as re-stated	81	283	364
Profit for the period as previously stated	-	731	731
Prior year adjustment	-	(37)	(37)
At 1 January 1998	81	977	1,058
Profit for the year		1,315	1,315
At 31 December 1998	81	2,292	2,373

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NOTES TO THE ACCOUNTS
at 31 December 1998

16. PRIOR YEAR ADJUSTMENTS

These are as follows:

1) The previous policy of recognising revenue from the rental and sanitisation of coolers when invoiced has been changed to defer the revenue over the period to which it relates. The effect of this change in policy on the current years results is to reduce the profit before taxation by £51,000.

2) An adjustment of £106,000 has been made to reserves at 31 January 1997 to re-intstate the liability to customers for deposits paid to the company which had been incorrectly taken to revenue.

17. OTHER FINANCIAL COMMITMENTS

At 31 December 1998 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		*Other*	
	1998	*1997*	*1998*	*1997*
	£'000	*£'000*	*£'000*	*£'000*
Operating leases which expire:				
Within one year	-	-	17	-
In two to five years	12	12	73	102
In over five years	22	22	-	-
	34	34	90	102

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 in FRS 8 from disclosing transactions with related parties that are part of the Sparkling Spring Water Group Limited group of 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 undertakings of the smallest and largest groups of which the company is a member and for which group accounts are prepared are Nature Springs Water Company Limited (formerly Sparkling Spring Water UK Limited) and Sparkling Spring Water Group Limited respectively. Copies of the accounts are available from its registered office: Unit 5 Alexandra Way, Ashchurch Business Centre, Tewkesbury, Gloucestershire, GL20 8NB.

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