



**SODASTREAM LIMITED**

**Report and Financial Statements**

**31 December 1998**

**Deloitte & Touche**  
Leda House  
Station Road  
Cambridge CB1 2RN

( - 20/10/99 )  
Ac03sod8



**REPORT AND FINANCIAL STATEMENTS 1998**

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**REPORT AND FINANCIAL STATEMENTS 1998**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

R Handley (resigned 30 July 1998)  
S Gillespie (resigned 10 February 1999)  
K J White  
J Ben-Craan (appointed 29 April 1998)  
P Hulley (appointed 29 April 1998)  
P McDonald (appointed 29 April 1998)  
P Wiseburgh (appointed 29 April 1998)

**SECRETARY**

P C Coates

**BANKERS**

Midland Bank plc  
Holborn Circus  
31 Holborn  
London EC1N 2HR

**REGISTERED OFFICE**

Morley Way  
Woodston  
Peterborough PE2 7BS

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
Leda House  
Station Road  
Cambridge CB1 2RN



## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 1998.

### **ACTIVITIES**

The principal activity of the company throughout the year was the manufacture and marketing of a system for producing carbonated soft drinks in the home. The system comprises a machine for carbonating the water, a carbondioxide cylinder refill service and a range of concentrated syrups.

### **REVIEW OF DEVELOPMENTS**

On 29 April 1998, SodaStream Limited and its parent company SodaStream Holdings Limited was acquired by the Soda Club Group. The acquisition provides the combined group with unrivaled dominance in the in-home carbonisation market around the world.

In the year SodaStream established a new subsidiary in Germany, SodaStream GmbH, to continue the development of its German market, following the cessation of arrangements with its previous distributors in that market. The company will continue to focus on the development of its export markets as well as the rejuvenation of its home markets.

### **DIVIDENDS**

The directors recommended the payment of a dividend of £1,157,000 for the year.

### **DIRECTORS AND THEIR INTERESTS**

The directors who served during the year and their interests in the ordinary shares of the parent company, Sodastream Holdings Limited, which owns 100% of the share capital of Sodastream Limited were as follows:

	Ordinary shares of £1 each	
	31 December 1998	1 January 1998 (or date of appointment)
R Handley (resigned 30 July 1998)		16,000
S Gillespie (resigned 10 February 1999)		12,000
K J White		12,000
J Ben-Craan (appointed 29 April 1998)		-
P Hulley (appointed 29 April 1998)		-
P McDonald (appointed 29 April 1998)		-
P Wiseburgh (appointed 29 April 1998)		-

### **YEAR 2000**

The company is to carry out a full Year 2000 compliance review as part of a Group wide process. Apart from the replacement of computer systems in 1999, there are no significant compliance issues anticipated.



## **DIRECTORS' REPORT**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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 as at the end of the financial year 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;
- state whether applicable accounting standards have been followed;
- 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 which 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. 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.

### **AUDITORS**

Deloitte & Touche were appointed as auditors during the year. Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board

Secretary

20 October 1999



## SODASTREAM LIMITED

### AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 15 which have been prepared under the accounting policies set out on pages 8 and 9.

#### Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 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.

#### Qualified opinion arising from disagreement about retrospective sales rebate accrual

The balance for accruals and deferred income includes a provision of £244,000 for potential retrospective sales rebates due to certain customers, payable at the directors' discretion. The provision has been carried for a number of years but no claims have been received by the company for payment of these retrospective sales rebates. In our opinion, the financial statements do not comply with Financial Reporting Standard 12. If the company had complied with Financial Reporting Standard 12, the balance for accruals and deferred income would have been reduced by £244,000 and the profit and loss reserve as at 1 January 1997 increased by £244,000.

Except for the failure to comply with Financial Reporting Standard 12 as set out above, in our opinion the financial statements give a true and fair view of the state of the company's affairs 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.

Chartered Accountants and  
Registered Auditors  
21 October 1999


**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 1998**

	Note	1998 £'000	1997 £'000
<b>TURNOVER</b>	1	22,425	23,344
Cost of sales		(15,129)	(16,115)
Gross profit		7,296	7,229
Distribution costs		(2,628)	(3,125)
Administrative expenses		(2,246)	(1,393)
<b>OPERATING PROFIT</b>	2	2,422	2,711
Interest receivable and similar income	4	101	249
Interest payable and similar charges	5	-	(6)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		2,523	2,954
Tax on profit on ordinary activities	6	(681)	(1,065)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		1,842	1,889
Dividends	7	(1,157)	-
<b>Retained profit for the financial year</b>	16	685	1,889

All activities derive from continuing operations.

There are no recognised gains and losses for the current financial year and preceding financial year other than as stated in the profit and loss account and the prior period adjustment as explained in note 16.


**BALANCE SHEET**  
**31 December 1998**

	Note	1998 £'000	1997 £'000 (as restated)
<b>FIXED ASSETS</b>			
Tangible assets	8	855	944
Investments	9	20	-
		<u>875</u>	<u>944</u>
<b>CURRENT ASSETS</b>			
Stocks	10	2,495	2,764
Debtors	11	4,875	3,024
Cash at bank and in hand		407	1,727
		<u>7,777</u>	<u>7,515</u>
<b>CREDITORS: amounts falling due within one year</b>	12	<u>(5,860)</u>	<u>(5,442)</u>
<b>NET CURRENT ASSETS</b>		<u>1,917</u>	<u>2,073</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		2,792	3,017
<b>CREDITORS: amounts falling due after more than one year</b>	13	-	(674)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	14	<u>-</u>	<u>(236)</u>
		<u>2,792</u>	<u>2,107</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	10	10
Profit and loss account	16	1,206	521
Capital reserve	17	1,576	1,576
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>2,792</u>	<u>2,107</u>

These financial statements were approved by the Board of Directors on 20 October 1999.

Signed on behalf of the Board of Directors

  
 Director




**CASH FLOW STATEMENT**  
**Year ended 31 December 1998**

	<b>Note</b>	<b>1998 £'000</b>	<b>1997 £'000</b>
Net cash inflow from operating activities	18	747	6,675
Returns on investments and servicing of finance	19	101	243
Taxation		(681)	(430)
Capital expenditure	19	(330)	(564)
Equity dividends paid		(1,157)	-
Cash (outflow) inflow before financing		(1,320)	5,924
Financing	19	-	(4,347)
(Decrease) increase in cash		(1,320)	1,577
Reconciliation of net cash flow to movement in net funds (note 20)			
(Decrease) increase in cash in the year		(1,320)	1,577
Movement in net funds in the year		(1,320)	1,577
Net funds at the start of the year		1,727	150
Net funds at the end of the year		407	1,727

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1998****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

**Accounting convention**

*The financial statements are prepared under the historical cost convention.*

**Group accounts**

The company is exempt from preparing group accounts under section 228 of the Companies Act 1985.

**Turnover**

Turnover represents the invoiced value of sales (net of trade discounts) and royalties, excluding value added tax and overseas sales taxes.

**Research and development**

Research and development expenditure is charged to the profit and loss account as incurred.

**Tangible fixed assets**

Depreciation is provided to write off the cost less estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Short leasehold land and buildings	10-20% per annum
Plant and machinery	10-33% per annum
Fixtures, fittings tools and equipment	10-33% per annum

**Investments**

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

**Stocks**

Stocks and work in progress are stated at the lower cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

**Deferred taxation**

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected that tax will arise.

**Foreign exchange**

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

**Leases**

Rentals are charged to profit and loss in equal annual amounts over the lease term.


**NOTES TO THE ACCOUNTS**

Year ended 31 December 1998

**1. ACCOUNTING POLICIES (continued)**
**Pensions**

The costs of providing pensions and other termination benefits are charged to the profit and loss account on a consistent basis over the service lives of employees. Such costs are calculated by reference to actuarial valuations and variations from such regular costs are spread over the remaining service lives of the current employees. To the extent to which such costs do not equate with cash contributions a provision or prepayment is recognised in the balance sheet.

**2. OPERATING PROFIT**

	1998 £'000	1997 £'000
<b>Operating profit is after charging:</b>		
Depreciation of tangible fixed assets - owned	399	305
Rentals under operating leases:		
Hire of plant and machinery	106	107
Other operating leases	721	721
Research and development expenditure	187	197
Auditors' remuneration:		
Audit	15	13
Other services	2	11
	<u>          </u>	<u>          </u>

**3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	1998 £'000	1997 £'000
<b>Directors' emoluments</b>		
Remuneration	313	304
Pension contributions	39	34
	<u>          </u>	<u>          </u>
	352	338
	<u>          </u>	<u>          </u>

	No	No
<b>The average number of directors who are:</b>		
Members of defined benefit pension scheme	3	3
	<u>          </u>	<u>          </u>

	£'000	£'000
<b>Highest paid director</b>		
Total remuneration excluding pension contribution	94	133
Pension contributions	8	16
	<u>          </u>	<u>          </u>
	102	149
	<u>          </u>	<u>          </u>


**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1998**
**3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)**

Average number of persons employed by the company (including directors) in the year:

	1998	1997
	No	No
Production	97	119
Distribution and marketing	32	30
Administration	24	23
	<u>153</u>	<u>172</u>

Staff costs incurred during the year in respect of these employees were:

	£'000	£'000
Wages and salaries	2,690	3,057
Social security costs	236	257
Other pension costs	169	168
	<u>3,095</u>	<u>3,482</u>

**4. INTEREST RECEIVABLE AND SIMILAR INCOME**

	1998	1997
	£'000	£'000
Receivable from group undertakings	-	209
Bank interest	101	40
	<u>101</u>	<u>249</u>

**5. INTEREST PAYABLE AND SIMILAR CHARGES**

	1998	1997
	£'000	£'000
Bank loans and overdrafts	-	6

**6. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	1998	1997
	£'000	£'000
United Kingdom corporation tax at 31% (1997 - 31.5%) based on the profit for the year	681	891
Deferred taxation	-	120
	<u>681</u>	<u>1,011</u>
Overseas taxation	2	4
Double tax relief	(2)	(4)
Adjustment to prior year's tax provisions	-	54
	<u>681</u>	<u>1,065</u>


**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1998**
**7. DIVIDENDS**

	1998 £'000	1997 £'000
On equity shares		
Interim paid	1,157	-

**8. TANGIBLE FIXED ASSETS**

	Short leasehold land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost				
At 1 January 1998	16	2,337	186	2,539
Additions	-	298	12	310
Disposals	-	(33)	-	(33)
At 31 December 1998	16	2,602	198	2,816
Depreciation				
At 1 January 1998	16	1,446	133	1,595
Charge for the year	-	385	14	399
On disposals	-	(33)	-	(33)
At 31 December 1998	16	1,798	147	1,961
Net book value				
At 31 December 1998	-	804	51	855
At 31 December 1997	-	891	53	944

**9. INVESTMENTS HELD AS FIXED ASSETS**

	£'000
Shares in subsidiary company	
Cost	
At 1 January 1998	-
Additions	20
At 31 December 1998	20

The investment in subsidiary company is set out below:

Name	Activity	Country of Incorporation	Proportion of ordinary shares held
Sodastream Deutschland GmbH	Distribution	Germany	100%


**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1998**
**10. STOCKS**

	1998 £'000	1997 £'000
Work in progress - including raw materials	1,268	1,753
Finished goods and goods for resale	1,227	1,011
	<u>2,495</u>	<u>2,764</u>

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

**11. DEBTORS**

	1998 £'000	1997 £'000
Trade debtors	1,992	2,459
Amounts owed by group undertakings	2,374	-
Prepayments and accrued income	509	565
	<u>4,875</u>	<u>3,024</u>

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1998 £'000	1997 £'000 (as restated)
Trade creditors	4,023	2,996
Amounts owed to group undertakings	484	-
Corporation tax	714	887
Other creditors including taxation and social security	61	90
Accruals and deferred income	578	1,469
	<u>5,860</u>	<u>5,442</u>

**13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	1998 £'000	1997 £'000
Loan from Sodastream Holdings Limited (due between one and two years)	-	674
	<u>-</u>	<u>674</u>


**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1998**
**14. PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>Pensions and similar obligations £'000</b>
At 1 January 1998	236
Released during the year	(236)
	<hr/>
At 31 December 1998	<hr/> <hr/>

The amounts of deferred taxation provided and unprovided in the accounts are as follows:

	<b>Provided</b>		<b>Not provided</b>	
	<b>1998</b>	<b>1997</b>	<b>1998</b>	<b>1997</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Capital allowances in excess of depreciation	-	-	(19)	2
Other timing differences	-	-	19	(2)
	<hr/>	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>	<hr/>

**15. CALLED UP SHARE CAPITAL**

	<b>1998</b>	<b>1997</b>
	<b>£'000</b>	<b>£'000</b>
Authorised		
1,000,000 ordinary shares of 1p each	<hr/> 10	<hr/> 10
Allotted, called up, and fully paid		
1,000,000 ordinary shares of 1p each	<hr/> 10	<hr/> 10

**16. PROFIT AND LOSS ACCOUNT**

	<b>£'000</b>
At 1 January 1998 (as previously stated)	123
Prior period adjustment	398
	<hr/>
At 1 January 1998 (as restated)	521
Retained profit for the year	685
	<hr/>
At 31 December 1998	<hr/> 1,206

The prior period adjustment arises from changes to align group accounting policies that relate to 1996 and prior periods.

**17. CAPITAL RESERVE**

	<b>£'000</b>
At 1 January 1998 and at 31 December 1998	<hr/> 1,576


**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1998**
**18. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	1998 £'000	1997 £'000
Operating profit	2,422	2,711
Depreciation charges	399	305
Decrease (increase) in stocks	269	(81)
(Increase) decrease in debtors	(1,975)	4,006
Decrease in creditors	(132)	(266)
Decrease in provisions	(236)	-
	<hr/>	<hr/>
Net cash inflow from operating activities	747	6,675
	<hr/>	<hr/>

**19. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	1998 £'000	1997 £'000
<b>Returns on investments and servicing of finance</b>		
Interest received	101	249
Interest paid	-	(6)
	<hr/>	<hr/>
	101	243
	<hr/>	<hr/>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	310	564
Payments to acquire fixed asset investments	20	-
	<hr/>	<hr/>
	330	564
	<hr/>	<hr/>
<b>Financing</b>		
Repayment of loan	-	5,021
New loans	-	(674)
	<hr/>	<hr/>
	-	4,347
	<hr/>	<hr/>




**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1998**
**20. ANALYSIS OF NET FUNDS**

	At 1 January 1998 £'000	Cash flow £'000	At 31 December 1998 £'000
Cash at bank and in hand	1,727	(1,320)	407

**21. CAPITAL COMMITMENTS**

	1998 £'000	1997 £'000
Contracted for but not provided	-	154

**22. OPERATING LEASE COMMITMENTS**

At 31 December 1998 the company was committed to making the following payments during the next year in respect of operating leases:

	1998		1997	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Leases which expire:				
Within one year	-	12	-	13
Within two to five years	28	69	28	68
After five years	693	-	693	-
	<u>721</u>	<u>81</u>	<u>721</u>	<u>81</u>

**23. RELATED PARTY DISCLOSURES**

Sodastream Limited is controlled by Sodastream Holdings Limited. The ultimate parent company is Soda-Club Holdings N.V., a company incorporated in the Netherlands Antilles. Copies of group accounts can be obtained from Tinststraat 6, 4823AA Breda, The Netherlands. There is no ultimate controlling party of Soda-Club Holdings N.V.

Disclosure of transactions with entities that are part of the group is not required as Sodastream Limited have evoked the exemption under FRS8 that applies to 100 per cent subsidiaries.