Virgin Strauss Water UK Limited

(previously Strauss Water UK Limited)

Directors' report and financial statements

Registered number 4880825

31 December 2012

Contents

Company information

Directors	R Ronen T Coppel G Lesin S T Murphy (Resigned 31/12/2013) O Strauss Keizman S Weiss
Registered office:	483 Green Lanes London N13 4BS
Registered number:	4880825
Auditors:	KPMG LLP 1 Forest Gate Brighton Road Crawley West Sussex RH11 9PT

Directors' report

The directors present their report with the financial statements of the Company for the year ended 31 December 2012 They are reported in accordance with International Financial Reporting Standards (IFRS)

Change of name

The Company passed a special resolution on 7 February 2012 changing its name from Strauss Water UK Limited to Virgin Strauss Water UK Limited

Principal activities

The principal activity of the company in 2012 was the sale and distribution of water dispensers

Business review

In 2012 there was additional investment from parent company Strauss Water and new investment from the Virgin Green Fund to launch the new Virgin Pure brand The company changed its customer focus from the business customers towards to the home and small office market under the new Virgin Pure brand

During 2012 the Company invested significantly in market analysis and promotion to increase awareness and product demand In combination with this the Company has invested in establishing the infrastructure to support the new business and future sales growth

2012 revenues are £1 652 326 (2011 £1 996,780) The decrease in revenue was due to the change in customer focus, namely a decrease in revenue on serviced machines to business customers Sales of the new Virgin Pure product were lower than expected in 2012

2012 Gross profit is £132 041 (2011 £641,854) The decrease in gross profit was due to increased direct costs including an increase in the number of field service engineers to provide geographic coverage for all the UK

Operating expenses for the year were £4 691 113 (2011 £1 062 071) The increase in 2012 relate to the new product launch, additional selling and marketing costs and increased infrastructure overheads required to grow and support the new business

Reduced sales and increased costs resulted in an operating loss in a 2012 of £4,559 072 (2011 £1 180 205)

Post balance sheet date event

In 2013 the Company executed a restructure plan with to reduce operating costs in line with current sales volume

The plan included a significant reduction in staff realignment of company organisation structure and refining of the company strategy (products segments geographies etc)

Management estimate the cost of the re-organisation to be approximately £700 000 This amount has not been provided for within these financial statements

Future outlook, risks and uncertainties

The Company has executed the restructure plan and now operates with reduced overheads The Company has launched new products and price plans in 2013 and grown its customer base significantly The Company has identified a number of risks and uncertainties that may have a material impact on long term performance and achievement

External

Regulation the Company performs rigorous internal audits of product quality to ensure very high standards are reached all installation parts are Water Regulations Advisory Scheme (WRAS) approved and to the highest standards of quality

Installation personnel are trained to European Point of Use Drinking Water Association (EPOUDWA) standards in hygiene and installation procedures, are Portable Appliance Test (PAT) approved and undergo various internal audit and training processes

Market risk the Company continues to monitor customer trends in the market and conducting survey of actual and potential customers The company is working with leading marketing agencies to increase market demand

Competition competition in the residential point of use category is quite low but the Company has the ability to meet changes in the competitive landscape through adjustment of its value proposition and new product originating from Strauss Water the Company's parent company

Internal

Liquidity The Company has received financial support from Strauss Water that will enable the company to continue trade for at least the next 12 months

Customer attrition Company conducts on-going customer satisfaction surveys and is constantly reviewing and improving the customer experience

Going concern

Notwithstanding that the company has net liabilities at 31 December 2012 of £2,584,262 and had further trading losses in 2013 the accounts have been prepared on a Going Concern basis for the following reasons

Management have prepared an in depth analysis of the business situation based on current sales volumes and operating cost forecasts following a significant company restructuring Within this plan the Company has reduced their staffing levels and operating expenses to support lower sales volume as well as increased operational efficiency through better use of a web platform and outsourcing of non-core activities

As part of this plan the Directors have prepared profit and loss and cashflow forecast for 2014 and a high level plan for 2015 including sensitivity analysis on key assumptions The directors have considered the assumptions made and consider the forecasts reasonable and realistic

The plan has been approved by the Board and by Strauss Water who have undertaken to provide sufficient funding under the plan for a period of 12 months from the date of approval of these financial statements They have also undertaken not to ask for repayment of the group loan for a period of 12 months from the date of approval of these financial statements

On the basis of these projections and current trading and conditional support of their parent Company, the directors consider the Group and Company will continue to operate within the funding provided by their parent company and hence that the use of the going concern basis is appropriate

Dividends

No dividends will be distributed for the year ended 31 December 2012 *(2011 nil)*

Directors

The directors noted in the company information section of these financial statements held office during the whole of the period from 1 January 2012 to the date of this report

Policy on payment of suppliers

The Company agree terms and conditions for its business transactions with its suppliers, and suppliers are made aware of these conditions Payment is then made on these terms subject to terms and conditions being met by the supplier

Human resources

The Company recognises that the contribution made by its employees is crucial to the success of the business Investment is made in training development and motivation of employees with particular attention to ensuring customer satisfaction through the consistent achievement and delivery of high standards of service

The Company endorses the active application of equal opportunities policies and programmes to provide fair and equitable conditions for all employees

Political and Charitable contributions

The Company has made no political or charitable contributions in the year *(2011 nil)*

Disclosure of information to auditors

So far as the directors are aware there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

Pursuant to Section 487 of the Companies Act 2006 the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board

R. Ronen
Director

483 Green Lanes
London
N13 4BS

11 February 2014

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' 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 International Financial Reporting Standards as adopted by the European Union and applicable laws

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair value 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 accounting estimates that are reasonable and prudent
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, 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 adequate 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.

KPMG LLP
1 Forest Gate
Brighton Road
Crawley
RH11 9PT
United Kingdom

Independent auditor's report to the members of Virgin Strauss Water UK Limited (previously Strauss Water UK Limited)

We have audited the financial statements of Virgin Strauss Water UK Limited for the year ended 31 December 2012 set out on pages 10 to 24 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

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 a Report of the Auditors 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 Statement of Directors' Responsibilities set out on page 7 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web site at www.frc.org.uk/auditscopeukprivate

Opinion on 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 2012 and of its loss for the year then ended
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters 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 *(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

P Gresham

Paul Gresham *(Senior Statutory Auditor)*

For and on behalf of KPMG LLP, Statutory Auditor
1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT

Date 13 February 2014

Statement of comprehensive income
for the year ended 31 December 2012

	Note	2012	2011
Continuing operations		**£**	£
Revenue		**1,652,326**	1 996 780
Cost of sales		**(1,520,285)**	(1 354 926)
Gross profit		**132,041**	641,854
Distribution costs		**(725,375)**	(159 856)
Administrative expenses		**(3,965,738)**	(902 215)
Operating loss before exceptional items		**(4,559,072)**	(420 217)
Exceptional items	3	**-**	(759 988)
Operating loss		**(4,559,072)**	(1 180 205)
Finance income	5	**165,792**	142 100
Finance cost	6	**(95,349)**	(64 069)
Loss before income tax	2	**(4,488,629)**	(1,102 174)
Income tax	7	**-**	-
Loss for the year		**(4,488,629)**	(1 102 174)

There was no other comprehensive income

The notes on pages 14 to 24 form part of these financial statements

Statement of financial position

At 31 December 2012

	Note	2012	2011
		£	£
Non-current assets			
Property, plant and equipment	*8*	**453,828**	380 104
Trade and other receivables	*10*	-	350 618
		453,828	730 722
Current assets			
Inventories	*9*	**931,461**	132 967
Trade and other receivables	*10*	**937,756**	743 082
Cash and cash equivalents	*11*	**1,077,129**	1 826 893
		2,946,346	2 702 942
Total assets		**3,400,174**	3 433 664
Equity			
Shareholders equity			
Called up share capital	*12*	**3,015,184**	2 172 759
Share premium	*13*	**1,131,231**	-
Retained earnings	*13*	**(6,730,677)**	(2 242 048)
Total equity		**(2,584,262)**	(69,289)
Liabilities			
Non current liabilities			
Trade and other payables	*14*	-	118,120
Current liabilities			
Trade and other payables	*14*	**1,743,080**	1 444 467
Loans and borrowings	*15*	**4,241,356**	1 940 366
		5,984,436	3 384 833
Total liabilities		**5,984,436**	**3,502,953**
Total equity and liabilities		**3 400,174**	**3,433,664**

The notes on pages 14 to 24 form part of these financial statements

These financial statements were approved by the board of directors on 11/2/14 and were signed on its behalf by

R Ronen
Director

Company registered number 4880825

Statement of changes in equity
for the year ended 31 December 2012

	Note	Called up share capital £	Share premium £	Retained earnings £	Total equity £
Balance at 1 January 2011		**1,260,001**	**-**	**(1,139,874)**	**120,127**
Changes in equity					
Issue of ordinary share capital	*12*	912,758	-	-	912,758
Total comprehensive income		-	-	(1,102,174)	(1,102,174)
Balance at 31 December 2011	*13*	**2,172,759**	**-**	**(2,242,048)**	**(69,289)**
Changes in equity					
Issue of preference share capital	*12*	842,425	1,131,231	-	1,973,656
Total comprehensive income		-	-	(4,488,629)	(4,488,629)
Balance at 31 December 2012	*13*	**3,015,184**	**1,131,231**	**(6,730,677)**	**(2,584,262)**

The notes on pages 14 to 24 form part of these financial statements

Statement of cashflows

for the year ended 31 December 2012

	Note	2012	2011
		£	£
Cash flows from operating activities			
Operating loss		(4,559,072)	(1,180,205)
Depreciation	8	129,027	105,698
		(4,430,045)	(1,074,507)
Increase in inventories	9	(798,494)	(32,496)
Increase in current trade and other receivables	10	(194,674)	130,295
Increase in current trade and other payables	14	298,613	1,843,938
Decrease in non-current trade and other receivables	10	350,618	
Decrease in non-current trade and other payables	14	(118,120)	
Cash generated from operating activities		(4,892,102)	867,230
Finance income	5	165,792	142,100
Interest paid	6	(95,349)	(64,069)
Net cash from (used in) operating activities		(4,821,659)	945,261
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(202,751)	(78,474)
Net cash from (used in) investing activities		(202,751)	(78,474)
Cash flows from financing activities			
Proceeds from issue of share capital	12	842,425	912,758
Proceeds from issue of preference shares	13	1,131,231	-
Proceeds from loans received		2,300,990	-
Net cash from (used in) financing activities		4,274,646	912,758
Net (decrease)/increase in cash and cash equivalents		(749,764)	1,779,545
Cash and cash equivalents at 1st January 2012	11	1,826,893	47,348
Cash and cash equivalents at 31st December 2012	11	1,077,129	1,826,893

The notes on pages 14 to 24 form part of these financial statements

Notes
(forming part of the financial statements)

1 Accounting policies

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.

Measurement convention

The financial statements have been prepared under the historical cost convention.

Going concern

Notwithstanding that the company has net liabilities at 31 December 2012 of £2,584,262 and had further trading losses in 2013, the accounts have been prepared on a Going Concern basis for the following reasons.

Management have prepared an in depth analysis of the business situation based on current sales volumes and operating cost forecasts following a significant company restructuring. Within this plan the Company has reduced their staffing levels and operating expenses to support lower sales volume as well as increased operational efficiency through better use of a web platform and outsourcing of non-core activities.

As part of this plan, the Directors have prepared profit and loss and cashflow forecast for 2014 and a high level plan for 2015, including sensitivity analysis on key assumptions. The directors have considered the assumptions made and consider the forecasts reasonable and realistic.

The plan has been approved by the Board and by Strauss Water who have undertaken to provide sufficient funding under the plan for a period of 12 months from the date of approval of these financial statements. They have also undertaken not to ask for repayment of the group loan for a period of 12 months from the date of approval of these financial statements.

On the basis of these projections and current trading and conditional support of their parent Company, the directors consider the Group and Company will continue to operate within the funding provided by their parent company and hence that the use of the going concern basis is appropriate.

Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenditure. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Revenue recognition

Turnover on machine sales is recognised at the point of sale. Associated maintenance revenue is released to the income statement over the duration of the agreement. Revenue is split between machine and maintenance using the fair value method.

Income from the hire of machines under rental agreements in existence prior to 30 June 2007 is shown as income on a straight line basis over the length of the rental agreement. The cost of the machine is included within the rental fleet in fixed assets and depreciated over the lease term. For agreements commencing on or after 1 July 2007, the

Notes (continued)

1 Accounting policies (continued)

Revenue recognition (continued)

customer is unable to terminate the agreement until the end of the term For these agreements, the revenue is split between machine unit sales and unit maintenance using the fair value method The unit sales revenue is recognised as income and the cost of the machine included within cost of sales Maintenance income is deferred and released to the profit and loss account over the length of the contract

Finance Income

Finance income comprises of finance interest and exchange rate gain mainly relating to the translation of the loan owed to Virgin Strauss Water Ltd The loan has been revalued at 31 December 2012 and the gain recognised at this point

Finance expense

Finance expenses comprise of intercompany interest payable loan interest payable and bank charges The loan interest was calculated at 1 5% and recognised in the accounts as part of the finance expense cost as at 31 December 2012

Operating Leases

Payments made under operating lease are recognised in the statement of comprehensive income on a straight line basis over the term of the lease

Exceptional items

The Company defines exceptional items as those items which by their size or nature are separately disclosed in order to give a full understanding of the Company's financial performance and aid comparability of the Company's results between periods

Taxation

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years

Deferred tax is measured at the rates that are expected to be applied to the temporary differences when they reverse based on the laws that have been enacted or substantively enacted at the reporting date A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be achieved against which temporary difference can be utilised

Property, plant and equipment

Property plant and equipment is stated at cost net of accumulated depreciation and impairment Depreciation is charged to the incomes statement on a straight line basis at the following annual rates to write off each asset over its estimated useful life

Computer equipment	Over 3 years
Fixtures and fittings	Over 5 years
Plant and equipment	Over 3 years
Motor vehicles	15% straight line
Rental units	Over the rental term
Leasehold improvements	Over the lease term

Notes *(continued)*

1 Accounting policies *(continued)*

Impairment

The carrying value of the company's non-financial assets, are reviewed at each reporting date to determine whether there is any external or internal indication of impairment. If any such indication exists then the asset's recoverable amount is estimated

Inventories

Inventories are valid at the lower of cost and net realisable value after making due allowance for obsolete and slowing moving items. The cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business

Trade and other receivables

Amounts receivable which comprise trade and other receivables are carried at amortised cost less and associated impairment losses

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits and are shown net of bank overdrafts where the company has the right of offset

Provisions

A provision is recognised if, as a result of a past event, the company has a present legal or constructive obligation as a result of past events that can be estimated reliably, and it is possible that an outflow of economic benefits will be required to settle the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation, as is reviewed at each reporting date

Employee benefit costs

The company operates a defined contribution pension scheme. Contributions payable for the year are charged to the income statement

Trade and other payables

Amounts payable which comprise trade and other payables are carried at amortised cost

Events after the reporting date

Events after the reporting date which provide additional information about the Company's position as at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date which are non adjusting events are disclosed in the notes to the financial statements when material

New Standards and interpretations

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2012, and have not been applied in preparing these consolidated financial statements. None are expected to have a material impact on the company

Notes *(continued)*

2 Loss before income tax

The loss before income tax is stated after charging

	2012 £	2011 £
Depreciation – owned assets	129 027	105 698
Operating lease charges (rent)	76 871	121 871
Auditors' remuneration		
Audit of these financial statements	15,725	2 000
Other audit services	5 128	-
Other services relating to taxation	3 750	-
Cost of inventories recognised as expense	587 870	1 354 926

3 Exceptional items

Exceptional items in 2011 relate to legal professional and associated costs in connection with the restructuring of the business

4 Employees and Directors

	2012 £	2011 £
Wages and salaries	1,858,702	1 309 310
Social security costs	164,429	112 246
Other pension costs	31,527	4 171
	2,054,658	1,425 727

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

	2012 No of employees	2011 No of employees
Total	55	43

Directors' remuneration

	2012 £	2011 £
Aggregated emoluments	-	59 587
Company contributions to pension schemes	-	4 171
	-	63 758

Notes *(continued)*

4 Employees and Directors *(continued)*

No retirement benefits were paid to any of the directors of the company in the year *(2011 £nil)*

The emoluments of the highest paid director including benefits were £nil *(2011 £59 587)*

5 Finance income

	2012	2011
	£	£
Finance income (Finance Interest)	**89,721**	142 100
Exchange rate gain	**76,071**	-
	165,792	142 100

6 Finance cost

	2012	2011
	£	£
Intercompany interest payable	**24,378**	35 970
Loan interest payable	**54,432**	9 352
Bank charges	**16,539**	18 747
	95,349	64 069

7 Taxation

As a result of the loss position of the company, and also the availability of tax losses, no liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2012 nor for the year ended 31 December 2011

At the balance sheet date the company had unused tax losses of approximately £6m (2011 £2m) available for offset against certain future profits The deferred tax asset of £1 4m (2011 £0 5m) has not been recognised in respect of these losses as recovery of the asset is dependent on the company generating suitable profits

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011 and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively This will reduce the company's future current tax charge accordingly

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax position accordingly

Notes *(continued)*

8 Property, plant and equipment

	Leasehold improvements	Plant and machinery	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 2012	291 917	499 288	34 183	825 388
Additions	45 146	157 605	-	202 751
At 31 December 2012	337 063	656 893	34 183	1 028 139
Depreciation				
At 1 January 2012	64 105	368 631	12 548	445 284
Charge in year	31 667	92 551	4 809	129 027
At 31 December 2012	95 772	461 182	17 357	574 311
Net book value				
At 31 December 2012	**241,291**	**195,711**	**16,826**	**453,828**
At 31 December 2011	227 812	130 657	21,635	380 104

9 Inventories

	2012	2011
	£	£
Finished goods	**931,461**	132 967

10 Trade and other receivables

	2012	2011
	£	£
Current		
Trade receivables	**300,653**	364 838
Other receivables	**515,796**	298 115
Prepayments and accrued income	**121,307**	80 129
	937,756	743 082
Non-current		
Prepayments and accrued income	-	350 618

Non-current receivables relate to accrued revenue on service contracts receivable over more than one year

Notes *(continued)*

11 Cash and cash equivalents

	2012	2011
	£	£
Cash in hand	1,126	160
Bank accounts	1,076,003	1,826 733
	1,077,129	1,826 893

12 Called up share capital

Allotted issued and fully paid		Nominal value	2012	2011
Number	Class	£	£	£
2 172 759	Ordinary	1	2,172,759	2 172,759
842 425	Preference	1	842,425	-
			3,015,184	2,172 759

During 2012 842 425 preference shares were issues at a nominal value of £1 each with a premium of £1,131 231

13 Reserves

	Share capital	Share premium	Retained earnings	Total
	£	£	£	£
At 1 January 2012	2 172 759	-	(2 242 048)	(69 289)
Issue of premium shares	842 425	1,131 231	-	1 973 656
Loss for the year	-	-	(4 488 629)	(4,488 629)
At 31 December 2012	**3,015,184**	**1,131,231**	**(6,730,677)**	**(2,584,262)**

Notes *(continued)*

14 Trade and other payables

	2012	2011
	£	£
Current		
Trade payables	431,824	494 543
Amounts owed to group undertakings	258,078	110 791
Other tax and social security payable	57,136	71,307
Accruals and deferred income	996,042	767 826
	1,743,080	1 444 467
Non-Current		
Accruals and deferred income	-	118 120
	-	118 120

As at 31 December 2012 all the Company s trade and other payables are due within one year Due to the short term nature of these payables are carrying value equates to the contractual amount due as the impact of discounting is not considered material

Non-current payables in 2011 relate to deferred revenue on service contracts receivable over more than one year

Amounts owed to other group companies are payable on demand and accordingly have no set maturity date

15 Loans and borrowings

	2012	2011
	£	£
Current		
Loans from group undertakings	4,241,356	970 183
Other loans	-	970 183
	4,241,356	1 940 366

The loan is with the sister company Virgin Strauss Water Ltd incorporated in Ireland The loan is repayable on demand Interest is applied on the loan at a rate of 1 50% Management received support letter from Virgin Strauss Water Ltd incorporated in Ireland assuring that the loan will note be called in the next 12 months or until Virgin Strauss Water Ltd is in a financial position to re-pay it

16 Financial Instruments

Risks relating to credit worthiness interest rates exchange rates and liquidity are in the company s normal course of business The company address these risks and define strategies to limit their economic impact on its performance

The fair value of the financial instruments is materially the same as the amortised cost at which the financial instruments are carried in the financial statements

Credit risk
The company provide credit to customers in the normal course of business and the amount that appears on the balance sheet is net of an allowance of £5 187 *(2011 £7 208)* for doubtful receivables due to age

The maximum exposure to credit risk is represented by the carrying amount of each financial asset on the balance sheet

The trade receivables as at 31 December are aged as follows

	2012 Gross £	2012 Impairment £	2011 Gross £	2011 Impairment £
Not past due	124 677	2 114	258 175	4 194
Past due 0 – 30 days	88 943	1 508	(71 689)	-
Past due 30 – 60 days	13 306	226	7 034	114
Past due 60 – 90 days	10 920	185	23 378	380
Past due 90+ days	67 994	1 154	155 148	2 520
At 31 December 2012	**305,840**	**5,187**	**372,046**	**7,208**

The movement in the allowance for impairment in respect of trade receivables during the year was as follows

	2012 £	2011 £
At 1 January 2012	7 208	3 037
Additional provision in the year	-	4 171
Provision utilised	-	-
Provision released	(2 021)	-
At 31 December 2012	**5,187**	7 208

Liquidity risk
The following are the contractual maturities of financial liabilities and, including estimates interest payments and excluding the effect of netting agreements

At 31 December 2012	Carrying value £	Contractual cashflow £	Under 1 year £	1 to 5 years £	Over 5 years £
Unsecured intercompany loan	4 241 356	4 241 356	4 241 356	-	-
Trade and other payables	1,743 080	1 743 080	1 743 080	-	-
	5,984,436	**5 984,436**	**5,984,436**	**-**	**-**

At 31 December 2011	Carrying value £	Contractual cashflows £	Under 1 year £	1 to 5 years £	Over 5 years £
Unsecured intercompany loan	1 940 366	1 940 366	1 940 366	-	-
Trade and other payables	1 562,587	1 562 587	1 562 587	-	-
	3,502,953	3 502,953	3,502,953	-	-

As explained in note 15, the unsecured intercompany loan is with Virgin Strauss Water Ltd, a group company incorporated in Ireland

Foreign Currency risk
The company is exposed to foreign currency risks on transactions and balances with group companies denominated in non-sterling currencies predominantly US Dollars

The company does not use any hedging instruments as such is exposed to changes in denominated currencies

Statement of financial position exposure

	2012 TOTAL	GBP	USD	2011 TOTAL	GBP	USD
Unsecured intercompany loan	4 241 356	-	4 241 356	1 940 366	1 940 366	-
Trade and other payables	1 743 080	1 743 080	-	1 562 587	1 562 587	-
	5,984 436	1,743,080	4,241,356	3,502,953	3 502,953	-

Interest rate risk
Currently the company s borrowings are all with other group companies At the balance sheet date the interest rate profile of the Company s interest bearing financial instruments was as follows

	2012 £	2011 £
Loans and borrowings	4 241 356	1 940 366

A change of 100 basis points in interest would either increase or decrease equity by £42 413 (2011 £19 407) for the Company

17 Leasing arrangements

Future minimum lease payments under non-cancellable operating leases are as follows

	2012 £	2011 £
Within one year	133,869	104,601
Between one and five years	561,400	354,726
After five years	327,483	-
	1,022,752	459,327

18 Employee benefits

The company pays into a personal pension scheme on behalf of some of its employees As at 31st December 2012 they owed £7 374 to the fund *(2011 £7 013)*

19 Capital commitments

The company had no capital commitments at 31 December 2012 *(2011 nil)*

20 Events after reporting date

Given sales volumes have been significantly below plan, the company is executing a restructuring plan with the aim of adjusting down its' operating costs in line with current sales volume

The plan is intended to be executed by the end of 2013 and will include significant reduction in overhead including a reduction in staff numbers realignment of company organisation structure and refining of the company strategy (products segments geographies etc)

Management estimate the cost of the re-organisation to be approximately £700 000 This amount has not been provided for within these financial statements

21 Related party disclosures

	Strauss Water Limited £	Strauss Water Group £	Virgin Green Fund £	Virgin Strauss Water Limited (Ireland) £
Opening balance	(970 183)	(110 791)	(970 183)	-
Movements in the year				
Repayment/(drawdown) on loans	970 183		970 183	(4 241 356)
Trading transactions	-	(147 287)	-	-
Closing balance	**-**	**(258,078)**	**-**	**(4,241,356)**

22 Ultimate parent company

At the balance sheet date, Strauss Group Limited, a company incorporated in Israel is the ultimate parent company by nature of their majority shareholding Copies of consolidated financial statements of the ultimate parent company are available from the registered office at 49 Hasivim Street Petach-Tikva Israel