

**Nestlé Watercoolers UK Limited (*formerly
Springbar Watercoolers Limited*)**

**Directors' report and financial
statements**

Registered number 1963471

31 December 2001



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

Principal activities

The company's principal trading activities are the supply of water cooler equipment for rental to commercial and residential customers together with the supply of bottled water and associated consumable products.

On 2 January 2002 the company changed its name from Springbar Watercoolers Limited to Nestlé Watercoolers UK Limited.

Results and dividends

The loss on ordinary activities after tax for the year taken to reserves was £1,614,000 (2000: £837,000). The directors do not recommend the payment of a dividend (2000: £nil).

On 31 December 2001, the company acquired 100% of the issued share capital of First Choice Watercoolers Limited from its parent company Nestlé Holdings (U.K.) PLC. First Choice Watercoolers Limited's principal activity was the supply of watercoolers for rental and the supply of bottled water. First Choice Watercoolers Limited subsequently sold its entire business, assets and liabilities to Nestlé Watercoolers UK Limited on 31 December 2001 and is now non-trading.

On 31 December 2001, the company acquired the assets, liabilities and business of the Aqua Cool watercooler division from Ionics (U.K.) Limited.

Directors and directors' interests

The directors who held office during the year were as follows:

S Sloan	
J Stiles	(resigned 12 November 2001)
N Droin	(resigned 12 November 2001)
D Duval	(resigned 12 November 2001)
Y De Cacqueray	(resigned 12 September 2002)
J Dundon	(appointed 12 November 2001)
C Kuhne	(appointed 12 November 2001)


None of the directors who held office at the financial year end had any disclosable interest in the shares of the company or any other group company.

According to the register of directors' interests, no rights to subscribe for shares in group companies were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Auditors

The auditor, KPMG Audit Plc, will continue in office. The company has dispensed with the obligation to appoint auditors annually, in accordance with s386 of the companies Act 1985.

By order of the board


P. O'Brien
Secretary

Trinity Court
Church Street
Rickmansworth
Hertfordshire
WD3 1LD

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 and of the profit or loss 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, subject to any material departures disclosed and explained in the financial statements;
- 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 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

Aquis Court
31 Fishpool Street
St Albans
Herts AL3 4RF

Independent auditors' report to the members of Nestlé Watercoolers UK Limited (formerly Springbar Watercoolers Limited)

We have audited the financial statements on pages 4 to 14.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and as, described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
*Chartered Accountants
Registered Auditor*

28 August 2003

Profit and Loss Account

For the year ended 31 December 2001

	<i>Notes</i>	2001 £000	2000 £000
Turnover	2	752	11
Cost of sales		<u>(588)</u>	<u>(27)</u>
Gross profit/(loss)		164	(16)
Distribution costs		(2,137)	(860)
Administrative expenses		<u>(632)</u>	<u>(489)</u>
Loss on ordinary activities before taxation	4	(2,605)	(1,365)
Tax on profit on ordinary activities	6	<u>991</u>	<u>528</u>
Loss for the financial year		<u><u>(1,614)</u></u>	<u><u>(837)</u></u>

A statement of total recognised gains and losses has not been presented as all recognised gains and losses for both years have been reflected in the profit and loss account.

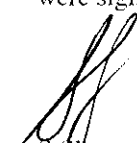
All turnover and profits of the company are derived wholly from continuing operations.

The notes on pages 6 to 14 form part of these accounts.

Balance sheet
At 31 December 2001

	Notes	2001 £000	2000 £000
Fixed Assets			
Intangible assets	7	78,865	-
Tangible assets	8	12,955	2,189
Investments	10	<u>8,158</u>	<u>-</u>
		99,978	2,189
Current Assets			
Stocks	11	425	13
Debtors	12	13,310	798
Cash at bank and in hand		<u>25</u>	<u>5</u>
		13,760	816
Creditors: amounts falling due within one year	13	<u>(113,348)</u>	<u>(4,001)</u>
Net current liabilities		<u>(99,588)</u>	<u>(3,185)</u>
Net assets/(liabilities)		<u><u>390</u></u>	<u><u>(996)</u></u>
Capital and reserves			
Called up share capital	15	3,000	-
Profit and loss account	16	<u>(2,610)</u>	<u>(996)</u>
Total equity shareholders' funds/(deficit)	17	<u><u>390</u></u>	<u><u>(996)</u></u>

These financial statements were approved by the board of directors on **26 August 2003** and were signed on its behalf by:


S Sloan
Director

The notes on pages 6 to 14 form part of these accounts

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements except as noted. The company has adopted FRS19 'Deferred Tax' in these financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. The accounts have been prepared on the going concern basis.

The company is exempt by virtue of S228 of the Companies Act 1985 from the requirements to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cashflow statement on the grounds that Nestlé Holdings (U.K.) PLC, a parent undertaking, includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Nestlé S.A., it has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Nestlé Holdings (U.K.) PLC, within which this company is included, can be obtained from the address given in note 21.

Tangible fixed assets

Fixed assets are shown at cost. Depreciation is provided at rates calculated to write-off the cost less estimated residual value of assets on a straight-line basis over their estimated useful lives as follows:

Short leasehold property	-	life of lease
Freehold property	-	2% per annum
Furniture and office equipment	-	3 - 7 years (15-33.3% per annum)
Plant, machinery and vehicles	-	5 - 10 years (10% - 20% per annum)

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life not exceeding 20 years.

Investments

Investments are valued at the lower of cost or directors' valuation.

Stocks

Stocks, are stated at the lower of cost (including freight charges) and net realisable value on a first-in-first-out basis.

Leases

All leases are 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Notes (continued)

Deferred taxation

Deferred tax is recognised in accordance with FRS 19 (Deferred Tax). The adoption of this standard has no significant impact on prior year results.

Deferred taxation is provided, without discounting, on all timing differences between the treatment of certain items for taxation and accounting purposes that have originated but not reversed by the balance sheet date. A deferred tax asset is only recognised to the extent that it is regarded more likely than not there will be suitable profits from which the future reversal of the underlying timing differences can be deducted.

Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction (or, if hedged forward, at the rate of exchange under the related forward currency contract). Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date (or, if hedged forward at the hedged rate) and the gains or losses on translation are included within the profit and loss account.

Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

2 Turnover

Turnover comprises sales of goods and services (excluding VAT) in the normal course of business in the UK. The turnover is fully attributable to the principal activity of the company and is recognised on despatch of the goods.

3 Staff numbers and costs

The average number of persons employed by the Company during the year (including directors), analysed by category, was as follows:

	2001	2000
	Number of employees	
Production	5	1
Administration, distribution and sales	56	14
	<u>61</u>	<u>15</u>
The aggregate payroll costs of these persons were as follows:		
	£000	£000
Wages and salaries	1,009	345
Social security costs	100	29
Other pension costs	18	6
	<u>1,127</u>	<u>380</u>

Notes (continued)

4 Loss on ordinary activities before taxation

The loss is arrived at after charging the following:

	2001 £000	2000 £000
Depreciation - Owned assets	280	65
Loss on disposal of fixed assets	114	-
Hire of plant and machinery- rentals payable under operating leases	271	60
Hire of other assets	134	84
Auditors' remuneration - Audit	6	6
	<u> </u>	<u> </u>

5 Directors' emoluments

	2001 £000	2000 £000
Amounts paid to immediate parent company in respect of directors' services	<u>93</u>	<u>4</u>

There were no contributions made by the company into the directors' pension fund and there are no retirement benefits accruing to any of the directors at the end of this year, or the previous year.

6 Tax on profit/(loss) on ordinary activities

	2001 £000	2000 £000
<i>UK Corporation tax</i>		
Current tax on income for the period	(1,633)	(528)
Adjustments in respect of prior periods	<u>113</u>	<u>(69)</u>
Total current tax	(1,520)	(597)
Deferred tax (see note 14)	<u>529</u>	<u>69</u>
Tax on profit on ordinary activities	<u>(991)</u>	<u>(528)</u>

Factors affecting the tax charge for the current period

The current tax credit for the period is higher (2000: higher) than the standard rate of corporation tax in the UK 30% (2001: 30%). The differences are explained below:

Current tax reconciliation

Profit/(Loss) on ordinary activities before tax	<u>(2,605)</u>	<u>(1,365)</u>
Current tax at 30% (2000: 30%)	(782)	(410)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	3	8
Capital allowances for period more than depreciation and related expenditure	(868)	(126)
Other timing differences	14	
Adjustment to tax charge in respect of previous periods	113	(69)
Total current tax charge (see above)	<u>(1,520)</u>	<u>(597)</u>

Notes (continued)

7 Intangible Assets

	Goodwill £000
Cost	
At 31 December 2000	-
Acquisition of businesses (see note 9)	<u>78,865</u>
At 31 December 2001	<u><u>78,865</u></u>
Amortisation	
At 31 December 2000 and 31 December 2001	<u><u>-</u></u>
Net Book Value at 31 December 2001	<u><u>78,865</u></u>
Net Book Value at 31 December 2000	<u><u>-</u></u>

8 Tangible Assets

	Land & buildings £000	Plant & machinery £000	Furniture & Office equipment £000	Total £000
Cost				
At 31 December 2000	259	1,685	310	2,254
Acquisition of businesses	2,090	8,874	273	11,237
Additions	10	615	4	629
Disposals	-	(188)	-	(188)
Transfers	29	17	(46)	-
At 31 December 2001	<u>2,388</u>	<u>11,003</u>	<u>541</u>	<u>13,932</u>
Depreciation				
At 31 December 2000	12	20	33	65
Acquisition of businesses	31	571	45	647
Charged in the year	28	173	79	280
Disposals	-	(15)	-	(15)
At 31 December 2001	<u>71</u>	<u>749</u>	<u>157</u>	<u>977</u>
Net book value at 31 December 2001	<u><u>2,317</u></u>	<u><u>10,254</u></u>	<u><u>384</u></u>	<u><u>12,955</u></u>
Net book value at 31 December 2000	<u><u>247</u></u>	<u><u>1,665</u></u>	<u><u>277</u></u>	<u><u>2,189</u></u>

Notes (continued)

8 Tangible Fixed Assets (continued)

The net book value of land and buildings comprises:

	2001 £000	2000 £000
Freehold	1,821	23
Short leasehold	496	224
	<u>2,317</u>	<u>247</u>

9 Acquisitions

On 31 December 2001 the company acquired:

- (a) 100% of the issued share capital of First Choice Watercoolers Limited;
- (b) the entire assets, liabilities and business of First Choice Watercoolers Limited; and
- (c) the assets, liabilities and business of the Aqua Cool watercoolers division from Ionics (U.K.) Limited.

The company has used acquisition accounting to account for these purchases.

The fair value of the assets and liabilities acquired and the consideration given are set out below:

	Aqua Cool Acquisition			First Choice Acquisition			Total
	Book Value £000	Revaluation £000	Fair Value £000	Book Value £000	Revaluation £000	Fair Value £000	Fair Value £000
Fixed Assets	12,887	(3,571)	9,316	1,274	-	1,274	10,590
Stock	400	(56)	344	36	-	36	380
Debtors	6,210	(383)	5,827	834	-	834	6,661
Cash at Bank	1	-	1	24	-	24	25
Creditors	(2,031)	-	(2,031)	(2,871)	-	(2,871)	(4,902)
Total	17,467	(4,010)	13,457	(703)	-	(703)	12,754
Goodwill	65,994	4,010	70,004	8,861	-	8,861	78,865
Satisfied by cash consideration	<u>83,461</u>	<u>-</u>	<u>83,461</u>	<u>8,158</u>	<u>-</u>	<u>8,158</u>	<u>91,619</u>

The summarised profit and loss account for the Aqua Cool watercooler division of Ionics (U.K.) Limited for the period from 1 January 2001, the beginning of the company's financial year, to the date of acquisition is as follows:

	Unaudited Year ended 31 December 2001 £000
Turnover	21,503
Operating profit	3,688
Profit on ordinary activities before tax	3,688
Tax on ordinary profit	(1,344)
Profit on ordinary activities after taxation	<u>2,344</u>

The profit on ordinary activities for the year ended 31 December 2000 was £2,084,000.

Notes (continued)

The summarised profit and loss account for First Choice Watercoolers Limited for the period from 1 August 2000 to 31 December 2001, the beginning of the company's financial period to the date of acquisition is as follows:

	Unaudited Period ended 31 December 2001 £000
Turnover	4,490
Operating loss	(47)
Profit on disposal of business	8,706
Interest payable	(66)
	<hr/>
Profit on ordinary activities before tax	8,593
Tax on ordinary profit	40
	<hr/>
Profit on ordinary activities after taxation	8,633
	<hr/>

The loss on ordinary activities after taxation for the year ended 31 July 2000 was £145,000.

10 Investments

Investments in subsidiary undertaking at cost:

	2001 £000	2000 £000
First Choice Watercoolers Limited	8,158	-
	<hr/>	<hr/>

On 31 December 2001, the company acquired 100% of the issued share capital of First Choice Watercoolers Limited from its parent company, Nestlé Holdings (U.K.) PLC comprising:-

- 37,692 ordinary shares of £1 each
- 33,425 "A" ordinary shares of £1 each
- 333,846 redeemable preference shares of 1p each

First Choice Watercoolers Limited's principal activity was the supply of watercoolers for rental and the supply of bottled water. First Choice Watercoolers Limited subsequently sold its entire business, assets and liabilities to the company on 31 December 2001 and is now non-trading.

11 Stocks

	2001 £000	2000 £000
Finished goods and goods for resale	425	13
	<hr/>	<hr/>

Notes (continued)

12 Debtors

	2001	2000
	£000	£000
Due within one year:		
Trade debtors	5,455	17
Amounts owed by group undertakings	2,344	626
Other debtors	4,698	90
Prepayments and accrued income	272	65
Due after more than one year:		
Deferred tax	541	-
	<u>13,310</u>	<u>798</u>

13 Creditors

	2001	2000
	£000	£000
Bank loans and overdrafts	273	13
Trade creditors	1,767	169
Amounts owed to group undertakings	109,530	3,302
Other creditors including taxation and social security	967	376
Accruals and deferred income	811	141
	<u>113,348</u>	<u>4,001</u>

14 Deferred Taxation (asset) / liability

	2001	2000
	£000	£000
At beginning of year	-	(69)
Profit and Loss Account charge	529	69
Fair value adjustment relating to acquisition of businesses	(1,070)	-
At end of year	<u>(541)</u>	<u>-</u>

The deferred taxation liability/(asset) consists of the following amounts:

	2002	2001
	£'000	£'000
Depreciation and assets expensed in excess of capital allowances	(528)	-
Other timing differences	(13)	-
	<u>(541)</u>	<u>-</u>

15 Called up share capital

	2001		2000	
	Number	£000	Number	£000
<i>Authorised:</i>				
Equity: ordinary shares of £1 each	<u>10,000,000</u>	<u>10,000</u>	<u>100,000</u>	<u>100</u>
<i>Allotted, issued and fully paid:</i>				
Equity: ordinary shares of £1 each	<u>3,000,000</u>	<u>3,000</u>	<u>2</u>	<u>-</u>

The 2,999,998 ordinary shares of £1 each issued in the year were issued at par for cash.

Notes (continued)

16 Profit and Loss Account

	2001 £000	2000 £000
At 31 December 2000	(996)	(159)
Retained profit/(loss) for the year	<u>(1,614)</u>	<u>(837)</u>
At 31 December 2001	<u><u>(2,610)</u></u>	<u><u>(996)</u></u>

17 Reconciliation of movement in shareholders' funds

	2001 £000	2000 £000
Loss for the financial year	(1,614)	(837)
Issue of shares	<u>3,000</u>	
Net additional to shareholders' funds	<u>1,386</u>	<u>(837)</u>
Opening shareholders' deficit	(996)	(159)
Closing shareholders' funds/(deficit)	<u><u>390</u></u>	<u><u>(996)</u></u>

18 Guarantees and other financial commitments

Capital commitments authorised but not provided for as at 31 December 2001 amount to £94,000 (2000: £ nil).

Lease commitments: The annual commitments under non-cancellable operating leases are set out below:

	2001		2000	
	Land & buildings £000	Other £000	Land & buildings £000	Other £000
Operating leases which expire:				
Within one year	10	41	133	102
Within two to five years inclusive	35	641	435	410
After five years	<u>403</u>	<u>-</u>	<u>725</u>	<u>124</u>
	<u><u>448</u></u>	<u><u>682</u></u>	<u><u>1,293</u></u>	<u><u>636</u></u>

19 Pension Scheme

The company is part of a defined contribution pension scheme operated by Nestlé Waters UK Limited. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charged to the profit and loss account represents the contributions payable by the company to the fund and amounted to £33,691 (2000: £9,098). There were no outstanding contributions at the year end (2000: £nil). Following the acquisition of the Aqua Cool Watercooler business on 31 December 2001, the company now operates two defined contribution pension schemes.

Notes (continued)

20 Related Party Disclosures

The company is controlled by Nestlé Holdings (U.K.) PLC, its parent company. The ultimate controlling party is Nestlé S.A.. The company is a wholly owned subsidiary of Nestlé S.A.. In accordance with paragraph 3c of FRS8, Related Party Transactions, the company is exempt from disclosing details of transactions with other companies in the Nestlé S.A. group.

21 Ultimate parent undertaking

The parent undertaking of the smallest group for which group accounts are prepared is Nestlé Holdings (U.K.) PLC, a company registered in England and Wales. Copies of the group accounts can be obtained from St George's House, Croydon, CR9 1NR, United Kingdom.

The ultimate parent undertaking and the largest group for which group accounts are prepared is Nestlé S.A., a company registered in Switzerland. Copies of the group accounts can be obtained from Nestlé S.A., CH-1800 Vevey, Switzerland.