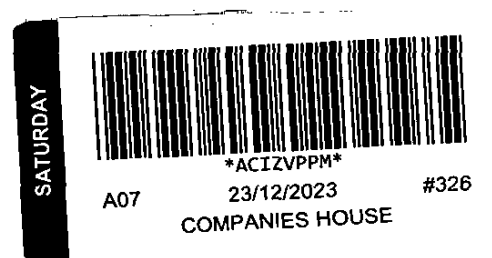




**XYLEM WATER HOLDINGS LIMITED**

**Annual Report and Consolidated Financial Statements**

**For the year ended 31 December 2022**



**Company number: 07618426**

**XYLEM WATER HOLDINGS LIMITED**  
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**XYLEM WATER HOLDINGS LIMITED**  
**COMPANY INFORMATION**  
**FOR THE YEAR ENDED 31 December 2022**

**DIRECTORS**

M A Turner  
I L Thompson  
P A Morris  
L J Bentley  
K A Knight

**SECRETARY**

N A Tancred

**REGISTERED OFFICE**

Private Road No 1  
Colwick Industrial Estate  
Nottingham  
NG4 2AN  
United Kingdom

**AUDITOR**

Deloitte LLP  
Statutory Auditor  
Four Brindleyplace  
Birmingham  
B1 2HZ  
United Kingdom

**XYLEM WATER HOLDINGS LIMITED**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors present their strategic report for the year ended 31 December 2022.

**PRINCIPAL ACTIVITIES**

The Group's principal activities include the transportation and treatment of water, including the design, manufacture, supply, rental and service of fluid handling, filtration and separation equipment and the supply and installation of clean water treatments using UV, Ozone, filtration, separation and aeration products to the water treatment industry and to the food and beverage processing industry. In addition, the Group participates in the design, development, manufacture and in-service support of opto-mechanical and digital Refractometers and Polarimeters.

The Group distributes brands including Flygt waste-water pumps, Lowara clean water pumps, Jabsco products for the leisure marine market including water system, engine cooling pumps, searchlights and marine waste systems, and Sanitaire aeration, Leopold filtration and Wedeco UV and Ozone treatment products.

The Group provides project management services to other Xylem companies based outside the UK under the Centre of Excellence (COE) Model, providing a supporting role in the tendering and execution of projects involving Xylem core products for which the Xylem companies do not have the core skill base. In addition, the Group provides support services, including debt collection, credit control services, quality control and administrative services for all Xylem UK operating companies.

**REVIEW OF BUSINESS**

Group turnover increased in the year by 4.3% from £230,662k to £240,556k. Group operating profit increased by £3,297k to £6,282k compared to £2,985k in the prior year since the goodwill on consolidation was fully amortised in the prior year. The prior year included amortisation of £4,826k in relation to this.

In 2022 we saw an increase in revenue over 2021 as Water Utilities continued to spend on capital projects as part of the AMP cycle 5-year spending. The current AMP cycle started in 2020 with 2022 representing year 3 of the current programme. Throughout 2022 we saw a significant uptick as customer site visits, to perform maintenance and service, increased over 2020 and 2021 which were impacted by various lockdowns. Improvement in global supply chains enabled us to better meet customer demand.

All manufacturing of filtration and separation equipment to the water treatment industry and to the food and beverage processing industry ceased on 27 March 2022. This has been disclosed as discontinued operations (see note 4).

Higher than expected commodity prices, freight, and general demand for components outstripping supply globally continues to put pressure on our cost base. Despite a strong pipeline of orders and sales, ensuring strong relationships across our supply chain, demonstrating agility to support our customers, and commanding price has been key to maintaining profitability. As a result, a number of initiatives to manage risk, ensure adequate price realization and improve customer service levels were implemented in the year including pricing actions to pass cost increases through to customers and productivity efforts, including product redesigns, alternate sourcing options, and global procurement efforts. We have also initiated and plan to continue to initiate restructuring actions in 2023 to further optimize our cost structure.

The Xylem UK Pension Plan (XUPP) plan entered into a buy-in arrangement with an insurance company during 2020. With effect from 27 January 2020, when the risk was formally transferred, the bulk of the Plan's assets were used to purchase annuities in the name of the Trustee to cover most of the Plan's liabilities. The value of the final premium paid to the insurer (prior to data true-up) was £256.1m.

On 30 September 2022 the Plan was fully bought out. All benefits were secured with Rothesay Life Plc and were removed from the Group's balance sheet. At 30 September 2022 there was a residual amount of £282k in the Trustee Bank Account, which was expected to be used to meet future expenses. This has been treated as a settlement loss within the profit and loss account. During the year, the Group made gross contributions of £800k (2021: £6,886k) to the scheme whilst receiving credits from another group company of £280k (2021: £2,410k). The scheme was fully wound up on 14 November 2023.

The resulting profit for the year after interest and taxation amounted to £3,497k compared to a loss of £2,211k in 2021.

**XYLEM WATER HOLDINGS LIMITED**  
**STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**REVIEW OF BUSINESS (CONTINUED)**

In the previous year, there were loans from Xylem Europe GmbH, a fellow group company, of £30m and £14m of which interest was charged at a variable rate of 1% SONIA, with maturity scheduled for 31 March 2022. In addition, there was a loan from Xylem Europe GmbH of £30m of which interest was charged at a variable rate of 0.6% SONIA with maturity also scheduled for 31 March 2022. During 2022, the maturity date of all these loans was extended to 31 March 2027, therefore these loans are now reclassified within Creditors: amounts falling due after more than one year.

Defined benefit pension liabilities decreased from £7,050k to £2,903k in the year, resulting in net liabilities of £7,051k compared to net liabilities of £13,699k in 2021.

**KEY PERFORMANCE INDICATORS**

The Directors utilise various KPIs in order to measure the performance of the business against competitors and previous periods:

	2022	2021
EBITDA % of Turnover <sup>(1)</sup>	3.5%	3.3%
EBITDA per employee (£'000) <sup>(1)</sup>	£10	£10
Turnover per employee (£'000)	£285	£286

<sup>(1)</sup> EBITDA is earnings before defined benefit pension credits, interest, tax, depreciation, amortisation impairments.

Turnover increased in the year by 4.3% from £230,662k to £240,556k, with an increase in EBITDA of 9.2% from £7,712k to £8,418k, resulting in an increase in the EBITDA % of turnover by 0.2%. Turnover per employee reduced slightly from £286k to £285k per employee due to the increase in turnover in line with the increase in employees in the year of 35. EBITDA per employee has remained the same year on year.

**PRINCIPAL RISKS AND UNCERTAINTIES**

The principal risks of the Group are defined below. The directors of the Group have reviewed these risks and have outlined below the actions taken to mitigate the potential impact.

**Macro-economic**

**Risk**

Macroeconomic impacts and dynamics, with respect to supply chain shortages, logistics challenges, tight labour markets and inflation, have had, and continue to have, a material adverse effect on our business and results of operations. Future slowdowns, economic recession, or other prolonged downturns in the global economy or our markets could have material adverse effects on our business, financial condition, cash flows, results of operations. The main risks that we see relate to the operations of the UK business and the impact of reduction in the sales for these businesses due to the level of economic uncertainty for our customers within the industrial, building services and beverage markets being most likely to be impacted.

Our operating costs are subject to fluctuations, particularly due to changes in prices for commodities, parts, raw materials, energy and related utilities, freight and logistics, and cost of labour, which have been and may continue to be driven by a variety of factors, including inflation, tight labour markets, prevailing price levels, exchange rates, changes in trade agreements and trade protection measures including tariffs, and other economic factors.

In addition, we have significant manufacturing operations in Europe, which could be adversely impacted by increased costs for energy as a result of the Russia-Ukraine conflict and governments' efforts to decrease dependence on Russia energy supplies.

**XYLEM WATER HOLDINGS LIMITED**  
**STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)**

***Macro-economic (continued)***

**Mitigation**

The current macroeconomic environment has not caused a significant impact on the business to date. This has negatively impacted the short term outlook for growth and driven an increase in operational costs and Management continue to take appropriate action where necessary, including working closely with suppliers to mitigate the inflationary impact on pricing including energy costs. Management continue to monitor the situation and will continue to consider any impact on the financial forecasts on an ongoing basis.

***Competition risk***

**Risk**

The majority of the Group's revenue is derived from its activities within three main end markets; municipal, commercial building services and sub sectors of industry. These end markets are served through both direct and indirect channels, the biggest activity being linked to the municipal market which is driven by securing three to five year framework agreements with the principal customers, which reduces short-term risk and potential loss of revenue to key competitors. The Group manages this risk by providing a full portfolio of products and a complete solutions package to our target market, delivering customer value added services, being proactive to the demands of and maintaining strong relationships with its customers.

The remainder of the Group operates in mature trading markets meaning that keeping in touch with customer requirements is of the upmost importance. There are a number of other well-established brands operating in a number of sectors where the Group (via Xylem group arrangements) are present and the key drivers of competitiveness vary significantly market to market based on customer expectations. The Group has a strong focus on customer service and responsiveness and has established a strong internal network for sharing this data.

**Mitigation**

The Group's strategy is to capitalise on the potential and strength of its leading brands and the trust in which they are held, to build strong relationships with customers and suppliers, and to enhance its buying and promotional activities.

***Currency risk***

**Risk**

Volatility in foreign currencies and other markets may also arise as the UK and EU work through the global inflation situation and the recent war in Ukraine. As a result, we face continued uncertainty and risks of disruptions in our supply chain and increased costs. In order to remain competitive, we may not be able to recover all or a portion of these higher costs from our customers through product price increases, although several price increases have been pushed out into the market.

**Mitigation**

The Group has rigorous policies and procedures in place to manage and report transactional exposures. Translation exposures are partially mitigated by ensuring that borrowings from Group Treasury are denominated in the major currencies in which the Group operates.

***Cash flow risk***

**Risk**

The Group does not use foreign exchange forward contracts or interest rate swap contracts to hedge these exposures as the amounts involved are not material, but the risks are regularly reviewed to allow consideration of the introduction of appropriate measures.

The Group is exposed to changes in variable interest rates attached to its formal loans from Xylem European Treasury.

**Mitigation**

The Group does not manage its exposure to interest rate risk due to all loans being from Xylem Europe GmbH, a fellow group company.

**XYLEM WATER HOLDINGS LIMITED**  
**STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)**

***Credit risk***

**Risk**

The Group's principal financial assets are bank, trade and inter-company receivables. Policies and procedures exist to ensure that the trade debtors have an appropriate credit history. The amounts in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event, which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

**Mitigation**

The Group has no significant concentration of credit risk, with exposure spread over a large number of customers.

***Technological risk***

**Risk**

The products produced by the Group are the result of significant efforts in engineering and research and development technology over a longer period of time. It is imperative that the Group's products remain competitive in terms of performance and cost (amongst other market drivers).

**Mitigation**

Supported by another company within the Xylem Group, research and development activities are undertaken to ensure that the products remain correctly positioned for the markets operated in.

***Environmental/health & safety risk***

**Risk**

The Group has a very strong culture of promoting the principals of having a safe working environment for all employees. This is a constantly ongoing process and covers all aspects of the business. When specific issues are identified they are addressed without delay and the appropriate actions are taken to remove or mitigate future risk. The Group has a product offering that is compliant with the environmental requirements of all major markets. During 2022 our focus was on ensuring our pumps were fully compliant with changing diesel emissions regulations. Investments were also made with continued improvements to the Research & Development facilities. We have started to look at more sustainable and environmental alternatives to diesel engines.

**Mitigation**

The Group applies standards throughout which are closely monitored and regularly audited. Health, safety and environmental incidents are logged and analysed in order to learn the necessary lessons. Any major incident is promptly reported to and investigated by management.

***Climate change***

**Risk**

Globally, the frequency and severity of weather events due to the effects of climate change is increasing. The unpredictable nature of weather events and related conditions, including heavy flooding, water stress due to prolonged droughts, and fluctuations in temperatures or weather patterns, including as a result of climate change, can positively or negatively impact portions of our business. For example, heavy flooding and rain events attributable to the effects of global climate change may increase customer demand for some of our solutions that help manage water and stormwater overflows or remove and transfer excess or unwanted water. Prolonged drought conditions may increase demand for our pumping technology used in agriculture and turf irrigation applications.

Demand for water reuse applications, including those provided by our treatment business, may also increase as communities look to address water scarcity challenges due to the effects of climate change. In addition, fluctuations in temperatures result in varying levels of demand for our products used in residential and commercial hydronic applications, where homes and buildings use circulating water to heat and cool living spaces. Significant fluctuations in these weather conditions and climate changes can therefore result in volatility in our financial results.

**Mitigation**

While we continue to assess these risks, implement mitigation plans and perform business continuity and disaster recovery planning, we cannot be sure that disruptions with material adverse effects will not occur.

**XYLEM WATER HOLDINGS LIMITED**  
**STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)**

***Legal and regulatory risk***

**Risk**

Given our global operations, we are subject to regulation under a wide variety of laws, regulations and policies, including laws and regulations related to GDPR, anti-corruption, trade including export and import compliance, anti-trust and money laundering. Our policies mandate compliance with these laws and regulations. The UK Bribery Act of 2010 generally prohibit us from making improper payments to government officials or other persons for the purpose of obtaining or retaining business. We operate in many parts of the world that are recognized as having governmental and commercial corruption and in certain circumstances, strict compliance with anti-corruption laws may conflict with local business customs and practices. We cannot guarantee that our internal controls, policies and procedures will always prevent and protect us from improper conduct of our employees or business partners.

**Mitigation**

It is not possible to predict with certainty the outcome of claims, investigations, regulatory proceedings and lawsuits, and we could in the future incur judgments, fines or penalties or enter into settlements and claims. However, we make assessments based on our knowledge and record any necessary estimates of loss contingencies where necessary. The increase in regulation and enforcement means that legal and compliance risks will continue to exist and additional legal and regulatory proceedings and other contingencies, the outcome of which cannot be predicted with certainty, will arise from time to time.

**FUTURE DEVELOPMENTS**

On 31 January 2023, Xylem announced its intention to move the production of Bellingham & Stanley Limited's laboratory refractometry and polarimetry products to its Weilheim, German facility. It is anticipated that order entry and distribution for customers outside the UK will transition to Weilheim, while UK customers will continue to be served within the UK but under Xylem Water Solutions UK Limited. For all other business units it is not anticipated that there will be any fundamental changes to the business in the foreseeable future.

**SECTION 172(1) STATEMENT**

The directors are bound by their duties under the Companies Act 2006 and the manner in which these have been discharged, particularly their duty to promote the success of the Group for the benefit of its members as a whole, forms the core theme of this statement.

The following sets out how the directors, in performing their duties over the course of the year, had regard to the matters set out in Section 172(1) (a) to (f) of the Companies Act 2006.

***Need to foster the company's business relationships with suppliers, customers and others***

The Group sells the majority of its products and services to third parties, with the manufacturing division in Quenington (and formerly to 27 March 2022 in Hoddesdon) selling to another Xylem entity in Europe, services are also provided to other Xylem entities in Europe and the rest of the world.

The Group purchases the majority of its products from other Xylem entities throughout Europe and the rest of the world. The Directors recognise that the Group's own performance is very dependent on the performance of the other Xylem entities. A priority for us is to contribute to society, the environment & the economy, being a socially responsible business shaped by our decision making considering all stakeholders.

***Desirability of the company maintaining a reputation for high standards of business conduct***

Ensuring the customer is at the heart of decision making by the board is key to the success of the Group. Regular meetings are held with all levels of our management teams and customers to ensure extensive customer engagement shapes our business plan. Delivering to high standards for our customers is discussed at every Board meeting to ensure we continue to successfully serve them with the provision of the highest quality of goods and services.

Our fellow Xylem entities are our key suppliers who support us along with our employees in delivering for our customers. Strong relationships with these suppliers ensure sustainable, high quality delivery for the benefit of all stakeholders. Commercial performance is discussed at every Board meeting, including an update on performance within these entities.



**XYLEM WATER HOLDINGS LIMITED**  
**STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**SECTION 172(1) STATEMENT (CONTINUED)**

***Need to act fairly as between members of the company***

The Group prepares monthly management accounts and rolling forecasts using prescribed financial and non-financial KPI's under the direction of Xylem Inc. The management accounts are reviewed and compared to forecasts and budgets. Directors and senior management meet on a quarterly basis to review group-wide activity and to discuss significant issues in more detail as required to ensure results are in line with expectations and the strategic plan of Xylem Inc.

***Interests of the company's employees***

Our employees are central to the Group's overall success, properly incorporating their views into our decision-making process is fundamental to what we do. Regular town hall meetings are held within the Group, in large meeting rooms with online sign-in for those who are unable to attend or work at other sites, enabling formal updates, with question and answer sessions. This allows us to provide an inclusive and diverse place to work; amplifying the employee voice in many company decisions.

We are committed to a workplace that creates a sense of belonging for everyone: where all our colleagues feel involved, respected, valued, heard, connected and able to bring their authentic selves to work. At Xylem, we recognise the power of diversity, equity and inclusion to drive innovation, make us more competitive, positively impact employee and customer satisfaction and the Group's performance, better serve the communities in which we operate, create value for our shareholders and other stakeholders and advance social equity.

Our commitment to building a global, diverse, equitable and inclusive culture starts with our senior leadership team members, who represent a broad spectrum of backgrounds and perspectives. We believe that the diversity of our senior leadership enhances our ability to evolve and execute our business strategy and to attract and retain diverse and highly-qualified talent, and also fuels our commitment to foster a culture of inclusion and provide our colleagues with equitable access to opportunities.

***Impact of the company's operations on the community and the environment***

Our operations are subject to various laws and regulations governing the environment and climate change including those of the Environmental Agency. While environmental and climate change laws and regulations are subject to change, such changes can be difficult to predict reliably and the timing of potential changes is uncertain. We continue to be dedicated to environmental and sustainability programs to minimise the use of natural resources, reduce the utilisation and generation of hazardous materials from our processes and remediate identified environmental concerns.

***Impact of the company's operations on the community and the environment (continued)***

At Xylem, sustainability is at the centre of who we are and what we do. Since we are a leading global water technology company, we address some of the world's most urgent sustainability challenges - responsible stewardship of our shared water resources and resiliency of communities to climate change. Xylem approaches business sustainability as a way to generate economic value while also creating value for society, thus meeting the needs of both. Accordingly, in 2019, we evolved our approach to leverage sustainability in our decision-making toward long-term value creation for our shareholders, customers, employees and communities in which we operate and we announced an ambitious slate of 2025 Sustainability goals. Additionally, in 2021, Xylem announced our commitment to reach Net Zero greenhouse gas ("GHG") emissions before 2050 across our value chain, further aligning our long-term commitment to sustainability with sector-wide moves towards reduced carbon footprint.

***Key strategic decisions***

For each matter, the Board considers the likely consequences of any decision in the long term, identifies stakeholders who may be affected, and carefully considers their interests and any potential impact as part of the decision-making process. The key strategic decisions taken during the year were informed and supported by stakeholder engagement activities as set out above.

**XYLEM WATER HOLDINGS LIMITED**  
**STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

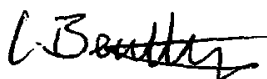
**SECTION 172(1) STATEMENT (CONTINUED)**

*Likely consequences of any decision in the long term*

Stakeholder considerations are an integral part of the decisions made by the Directors. At times these decisions inevitably adversely affect one or more of the stakeholders, but the Directors ensure that any group that is impacted is treated fairly. Our strategic plan firmly embeds sustainability at the heart of our competitive advantage and unique business model and aligns core strategic pillars to the overarching goal of integrating sustainability into everything we do.

While our strategy will evolve in response to the changing world, our four values are the enduring principles that go to the heart of who we are and guide how we conduct ourselves each day: Respect, Responsibility, Integrity and Creativity. Xylem's processes and procedures take into account all stakeholders when making long-term decisions which bare significant importance to the Group. We have a delegation of authority process for sign off for Group spend involving multiple stakeholders. For large scale projects, cross functional teams are established, and employee representatives are consulted in accordance with appropriate guidelines. The Business Continuity Planning team also ensures we have systems and processes in place for business continuity during times of change or unexpected business disruption.

This report was approved by the Board of directors on 20 December 2023 and signed on behalf the Board by:



L J Bentley  
Director

**XYLEM WATER HOLDINGS LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors present their annual report, together with the audited consolidated financial statements and independent auditor's report of Xylem Water Holdings Limited (the 'Company') together with its subsidiaries (the 'Group') for the year ended 31 December 2022. The Company is registered as a limited company and domiciled in the United Kingdom.

**FUTURE DEVELOPMENTS**

The anticipated future developments of the Group have been discussed within the Strategic Report on page 6.

**POST BALANCE SHEET EVENTS**

The Xylem UK Pension Plan (XUPP) was fully bought out on 30 September 2022 when all benefits were secured with Rothesay Life Plc and were removed from the Group's balance sheet at that date. The scheme was not fully wound up until 14 November 2023.

***Bellingham & Stanley Limited***

On 31 January 2023, Xylem announced its intention to move the production of Bellingham & Stanley Limited's laboratory refractometry and polarimetry products to its Weilheim, German facility. Order entry and distribution for customers outside the UK has now fully transitioned to Weilheim, while UK customers continue to be served within the UK but under Xylem Water Solutions UK Limited.

On 28 October 2023, Bellingham & Stanley Limited sold some of its business and assets to Xylem Analytics Germany GmbH for £473k in exchange for cash. On the same day, Bellingham & Stanley Limited transferred its sales and service operations to Xylem Water Solutions UK Limited in exchange for cash of £7,755k.

On 14 November 2023, Bellingham and Stanley Limited distributed all its remaining assets following a capital reduction to £1 via an interim dividend paid of £7,727k and final dividend payable of £7,755k). The final dividend is still outstanding.

***Water Process Limited***

On 31 October 2023, Water Process Limited distributed its remaining assets via a dividend of £27,242k after a capital reduction to £1 which took place on 27 October 2023.

***Godwin Holdings Limited***

On 2 October 2023, Godwin Holdings Limited transferred its entire ownership in the ordinary share capital of Xylem Dewatering Solutions UK Limited to Xylem Water Holdings Limited.

***Arrow Rentals Limited***

On 1 November 2023, Arrow Rentals Limited sold its 26% ownership in Xylem Water Solutions Ireland Limited to Xylem Swiss 1 (a fellow group company) for €830k in exchange for a loan note. On the same day, Arrow Rentals Limited distributed all its assets via a dividend of €830k to B S Pumps Ltd. Thereafter, BS Pumps Limited sold its interests in Arrow Rentals Limited to Xylem Water Solutions Ireland Limited (a fellow group company) for €69k in exchange for a loan note. Xylem Water Solutions Ireland Limited then absorbed Arrow Rentals Limited under the Irish domestic merger regime.

***BS Pumps Limited***

On 1 November 2023, BS Pumps Limited distributed all its assets via a dividend of €899k to Xylem Water Solutions UK Limited.

***Xylem Water Holdings Limited***

On 26 September 2023, Sensus Metering Systems (LuxCo 3) S.à.r.l. (a fellow group company) transferred the shares of Sensus (UK Holdings) Limited (a fellow group company) to Xylem Water Holdings Limited for a consideration of £105,557k in exchange for cash.

## **XYLEM WATER HOLDINGS LIMITED**

### **DIRECTORS' REPORT**

#### **FOR THE YEAR ENDED 31 DECEMBER 2022**

##### **RESEARCH AND DEVELOPMENT**

The R&D activity in 2022 and going into 2023 is focused on three main areas, bringing new innovative pump products to market such as the ultra-high head-pump and the CD200S, bringing the hydraulics of existing products to the latest pump performance standards and starting to look at alternative fuels to diesel to power Godwin pumps. Hydraulic design uses the latest CFD technology to optimise the pump performance, combined with extensive testing and product evaluation to validate performance predictions. Diesel engines continue to be legislated against and may one day be banned in many of our markets, using fossil fuels is not sustainable and does not fit with Xylem's 2050 Net Zero policy. R&D will look at expanding our electric portfolio as well as looking at new technologies such as Hydrogen Fuel cells and Hydrogen Combustion Engines to ensure the Godwin product range keeps up to date. The combination of high efficiency pumps and the latest drive technologies makes the Godwin products one of the leading pump manufacturers in the portable pumping market.

##### **FINANCIAL RISK MANAGEMENT**

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group focuses on efficient working capital management.

The directors consider the banking and group facilities available to the Group are adequate going forward. The Group participates in bank balance pooling at the end of each day, giving rise to an intercompany balance with Xylem Europe GmbH (a Group Treasury Facility). The credit risk on liquid funds is limited because the counterparties are banks with internationally recognised credit ratings. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers. The Group is exposed to changes in variable interest rates but this is seen as minimal since the loans are not external to Xylem as they are from Group Treasury.

The Group has minimal currency and commodity price risks in relation to purchases as the majority are made from Group suppliers who invoice in Sterling. In relation to sales, there is some exposure as some customers are invoiced in foreign currency. However, the directors consider the exposure to be minimal as the total amount invoiced in foreign currency is minimal compared to the total turnover.

##### **GOING CONCERN**

Our future financial results of operations are subject to change due to inherent risks and uncertainties, many of which are beyond our control. Our actions have focused on preserving our financial resilience and strategically positioning of the Group for new customer needs and market trends accelerated by the pandemic. The global market supply and demand dynamics, have adversely affected, and are expected to continue to adversely affect, our supply chains. We have experienced and expect to continue experiencing shortages in the supply of components, parts and raw materials.

To help mitigate the effects of these challenges and increase the resilience of our supply chain, we continue to enhance and augment our risk management activities, including supplier pulsing and redundancy. Additionally, we continue to take measures with respect to buffer stock, the use of alternative suppliers and redesign of certain products to mitigate the impacts of the ongoing supply chain, freight and logistics delays and bolster our access to electronics, parts and raw materials.

The UK Group is supported by its ultimate parent company, Xylem Inc., via loans from Xylem Europe GmbH, the ultimate parent has confirmed that financial support will be continued in order to allow the group companies to meet liabilities as they become due and to carry on business without significant curtailment of operations for 12 months from the date of signing the financial statements. The directors have reviewed details of Xylem Europe GmbH access to credit and loan facilities and the cash flow position and have a reasonable expectation that the Xylem Inc. have sufficient financial resources available to provide support in the future.

**XYLEM WATER HOLDINGS LIMITED**  
**DIRECTORS' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**GOING CONCERN (CONTINUED)**

The Q3 2023 consolidated results of Xylem Inc, reported total revenue of \$2.1 billion, with reported growth of 50% and organic growth of 10%, surpassing prior guidance, on strong commercial and operational execution. Orders were up 43% on a reported basis and up 3% organically, while backlog grew to \$5.2 billion, up 5% organically. Third quarter adjusted earnings before interest, tax, depreciation, and amortization (EBITDA) margin was 19.8%, reflecting a year-over-year increase of 150 basis points. Adjusted EBITDA margin was 18.9%, up 60 basis points over the prior year period. Strong price realization more than offset inflation and, coupled with productivity savings and higher volume, drove the margin expansion, exceeding the impact of strategic investments. Xylem now expects full-year 2023 revenue of approximately \$7.3 billion, up approximately 32% on a reported basis and up approximately 11% on an organic basis. Full-year 2023 adjusted EBITDA margin is expected to be approximately 19% driven by continuing strong demand, and commercial and operational momentum.

The directors are satisfied that the risks have been identified and that the plans in place will enable the UK Group to deal with the challenges and minimize the financial impact. Overall, the directors have a reasonable expectation that the UK Group will continue to operate effectively and are confident in receiving continued access to financial resources from Xylem Inc. such that the Group has adequate resources to continue operating for the foreseeable future. Therefore, the financial statements have been prepared on the going concern basis.

**DIVIDENDS**

The directors are not proposing to pay a dividend in 2022 (2021: £nil). No dividends have been proposed since the year end.

**DIRECTORS**

The directors who served during the year and to the date of the approval of the financial statements are shown below:

M A Turner  
I L Thompson  
P A Morris  
L J Bentley  
K A Knight

**DIRECTORS' INDEMNITY AND INSURANCE**

The Group maintains directors' and officers' liability insurance. All the Group's directors have received an indemnity to the extent permitted by law from the Group. Neither the indemnity nor the insurance provides cover in situations where a director has acted fraudulently or dishonestly.

**CHARITABLE DONATIONS**

Charitable donations of £nil (2021: £1k) were made during the year.

**BUSINESS RELATIONSHIPS**

Throughout 2022 the Group continued to maintain its close working relationships with suppliers, customers and others which included a supplier management process, review meetings with key suppliers addressing concerns, regular touchpoints with key customers from field staff and management and ensuring that any disputes or disagreements were followed up in a timely manner.

**XYLEM WATER HOLDINGS LIMITED**  
**DIRECTORS' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**BUSINESS RELATIONSHIPS (CONTINUED)**

Given there was a change in the leadership in late 2019, some initiatives to get closer to our suppliers, customers and other partners commenced later in that year and are ongoing in 2022. This includes facilitating closer relationships with key customers/segments and also leveraging our full Xylem offering to meet their needs. See the S172 statement within the Strategic Report for further details on the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the company during the financial year.

Our marketing team engaged stakeholders through targeted campaigns and webinars, resulting in leads and feedback.

**DISABLED EMPLOYEES**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of the members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that the appropriate level of training is arranged. It is the policy of the Group that training, career development and promotion of disabled persons should as far as possible, be identical to that of other employees.

**EMPLOYEE CONSULTATION**

The Group places considerable value on the involvement of its employees and continues to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. Details of employees and various headcount related information is highlighted in note 7 to the financial statements.

**EMPLOYEE ENGAGEMENT**

The directors of the Group have engaged with employees across the year in a number of ways including but not limited to:

- Online town halls and communications meetings, communicating business results and employee recognitions.
- Watermark activities which encourage our staff to participate in activities which benefit our communities and link to the Group's mission, vision and values.
- Safety engagement initiatives such as safety walks, safety chats program and a specific safety game, which resulted in the business winning Xylem's CEO Safety Award.
- Regular meetings with our employee representatives, skip level meetings with different layers of staff across different geographies, and discussions with our Human Resources staff, discussing various topics such as change, training and development, engagement, communications and the work environment.

As a result of feedback, we have had a particular focus on communicating business results and employee wellbeing. This has resulted in:

- The rollout, promotion and use of our Mental Health First Aider program and associated initiatives to encourage peer to peer support.
- More use of XylemNow, our company communication web page to share business wins, local information and promote a sense of unity among the team particularly for remote employees.
- A specific engagement program with dedicated training on change management and peer support, for the rollout of ServiceMax, our Service Management system in 2020.
- Regular Site Communications meetings at key sites.
- The launch of a new employee reward and recognition program.
- Regular communication about our Employee Assistance Program to ensure that employees who are struggling in their home or work life are getting the support they need.
- Improved quality of exit interviews for leavers and tracking of employee attrition, to better identify actions impacting attrition and morale.

**XYLEM WATER HOLDINGS LIMITED**  
**DIRECTORS' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**ENVIRONMENT**

The Group recognises the importance of its environmental responsibilities and employs Environment, Health and Safety Managers to ensure that the Group operates within Xylem policies and implements initiatives designed to minimise the Group's impact on the environment, including safe disposal of manufacturing waste, recycling and reducing energy consumption.

The Group is committed to controlling, so far as reasonably practicable, the impacts on the environment through the way we conduct our business and the supply of products to our customers. It is the intention of the management team to conduct business in a manner that meets the needs of today without compromising the needs of future generations, maintaining a sustainable future. To achieve this the Group will:

- Ensure compliance with all applicable laws and regulations and other standards to which the company subscribes and is required to meet.
- Prevent and/or reduce the risk of pollution through soil, air and water
- Enhance employee health, safety, and welfare
- Participate in community projects and development
- Ensure the protection of the public from operational hazards
- Minimise the consumption of natural resources in the supply, maintenance and repair of our products
- Reduce energy consumption at all facilities
- Reduction of waste to landfill
- Provide documented operating policies and procedures
- Promote aims and objectives through the supply chain
- Maintaining our ISO 14001 certification

The Directors, Heads of Departments and all Managers of the Group believe that sustainability is core to everything it does and give their full support to realise our 2025 Sustainability Targets to create a more water-secure world. Actively our sustainability groups across the UK are working on our key objectives, to reflect our commitment to solving the major water challenges and minimize our environmental footprint.

Our manufacturing facilities are prioritized for improvement efforts aimed at reducing their environmental impacts, they have focused on energy efficiency and emission reduction efforts. We aim to achieve 100% renewable energy, 100% process water recycling, and zero waste to landfill from processes. Our manufacturing site Quenington, through projects commenced in 2019 has met these targets but continues to focus on emission reduction projects:

- Pump testing is conducted on a closed water loop system, and when the system is cleaned, tankers remove the water to a treatment plant for processing.
- During 2019 and 2020 waterless urinals and sensor taps were installed and pipework throughout the location was inspected eliminating any identified leaks.
- In 2021 Quenington achieved 100% zero waste to landfill by changing contractors and redirecting all general waste to Energy from Waste processing. All waste streams were identified to ascertain their final destination and contractors were contacted to ensure no waste was taken to landfill.
- A 100% renewable energy contract was sourced and activated in 2019.

**ENERGY AND CARBON REPORTING**

Xylem is committed to the protection of the environment and the reduction of its carbon footprint. Changes introduced by the 2018 Regulations of the Companies Act 2016 require the Directors to report on the energy and carbon information relating to the Group.

The related carbon footprint, measured by tCO<sub>2</sub>e tonnes, is calculated from the usage data submitted for energy usage from gas and electric, outbound product deliver, and business travel activity. Conversion factors are applied on the basis of business location. UK based data is converted using the UK Department for Environment Food & Rural Affairs (DEFRA) tCO<sub>2</sub>e factors. Conversion factors are updated annually to reflect the factors published by DEFRA that are in effect as of 31 December each reporting year.

**XYLEM WATER HOLDINGS LIMITED**  
**DIRECTORS' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**ENERGY AND CARBON REPORTING (CONTINUED)**

The total annual energy consumption for the year ending 31 December 2022 was 12,844,712 kWh, which provides total CO<sub>2</sub>e emissions of 3,226 tonnes, as indicated below.

	2022		2021	
	Emissions - tCO <sub>2</sub> e	Energy consumption used to calculate the emissions – kWh	Emissions - tCO <sub>2</sub> e	Energy consumption used to calculate the emissions – kWh
<b>Scope 1 (Direct) GHG emissions:</b>				
Combustion of gas in buildings	166	910,758	255	1,391,744
Combustion of fuel for transport purposes	2,334	8,887,865	2,040	8,519,860
Combustion of LPG in buildings and on-site transport	48	175,246	47	170,842
Combustion of gas oil in buildings	251	977,601	403	1,570,899
<b>Scope 1 total</b>	<b>2,799</b>	<b>10,951,470</b>	<b>2,745</b>	<b>11,653,345</b>
<b>Scope 2 (Indirect) GHG emissions:</b>				
Purchase of electricity for buildings (location-based grid average)	360	1,862,594	566	2,664,439
<b>Scope 2 total</b>	<b>360</b>	<b>1,862,594</b>	<b>566</b>	<b>2,664,439</b>
<b>Scope 3 (Other Indirect) GHG emissions:</b>				
Business travel in employee-owned vehicles	34	30,648	26	104,883
UK electricity Transmission & Distribution	33		50	
<b>Scope 3 total</b>	<b>67</b>	<b>30,648</b>	<b>76</b>	<b>104,883</b>
<b>Totals</b>	<b>3,226</b>	<b>12,844,712</b>	<b>3,387</b>	<b>14,422,667</b>
<b>Revenue - £m</b>		<b>241</b>		<b>231</b>
<b>Intensity ratio:</b>				
<b>tCO<sub>2</sub>e gross figure / £m revenue</b>		<b>13</b>		<b>15</b>

**AUDITOR**

Pursuant to section 487(2) of the Companies Act 2006, the auditor will be deemed to be re-appointed and Deloitte LLP will therefore continue in office.

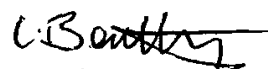
**DISCLOSURE OF INFORMATION TO AUDITOR**

Each of the persons who are a director of the Group at the date of approval of this report confirms that:

- So far as each of the directors is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- each of the directors have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

This report was approved by the Board of directors on 20 December 2023 and signed on behalf of the Board by:



L J Bentley  
**Director**



**XYLEM WATER HOLDINGS LIMITED**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors are responsible for preparing the Annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent 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 group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF XYLEM WATER HOLDINGS LIMITED**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements of Xylem Water Holdings Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated balance sheet;
- the consolidated statement of changes in equity;
- the consolidated cash flow statement;
- the reconciliation of group net cash flow to movement in net debt;
- the related consolidated group notes 1 to 28;
- the parent company balance sheet;
- the parent company statement of changes in equity; and
- the related parent company notes 1 to 11.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF XYLEM WATER HOLDINGS LIMITED (CONTINUED)**

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the group's business sector.

We obtained an understanding of the legal and regulatory framework that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and pension and tax legislation and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as pensions and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF XYLEM WATER HOLDINGS LIMITED (CONTINUED)**

### **Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)**

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

#### **Matters on which we are required to report by exception**

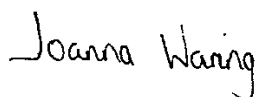
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

We have nothing to report in respect of these matters.

#### **Use of our report**

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 an auditor's 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.



Joanna Waring FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

Date: 20 December 2023

**XYLEM WATER HOLDINGS LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	2022 £'000	2021 £'000
<b>Turnover</b>			
Continuing operations	4	237,019	207,329
Discontinued operations	4	3,537	23,333
<b>Total turnover</b>	3	240,556	230,662
Cost of sales		(191,049)	(189,790)
<b>Gross profit</b>			
Continuing operations	4	49,389	37,519
Discontinued operations	4	118	3,353
<b>Total gross profit</b>		49,507	40,872
Administrative expenses		(20,009)	(20,044)
Selling and distribution expenses		(23,595)	(21,491)
Profit on disposal of fixed assets		99	1,185
Other operating income	5	280	2,463
<b>Operating profit/(loss)</b>			
Continuing operations	4	6,218	(422)
Discontinued operations	4	64	3,407
<b>Total operating profit</b>	6	6,282	2,985
Dividends received		883	630
<b>Profit before interest and taxation</b>		7,165	3,615
Interest receivable and similar income	9	729	4
Interest payable and similar charges	10	(4,162)	(3,918)
Other finance costs	11	(188)	(179)
<b>Profit/(loss) before taxation</b>		3,544	(478)
Tax charge on profit/(loss)	12	(47)	(1,733)
<b>Profit/(loss) for the financial year</b>		3,497	(2,211)

Notes 1 to 28 on pages 25 to 58 form an integral part of these financial statements.

**XYLEM WATER HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

	<b>Notes</b>	<b>2022 £'000</b>	<b>2021 £'000</b>
<b>Profit/(loss) for the financial year</b>		<u>3,497</u>	<u>(2,211)</u>
Other comprehensive income/(expense):			
Deferred tax charge relating to other comprehensive income	19	(1,037)	(1,386)
Actuarial gain on defined benefit pension scheme	20	<u>4,188</u>	<u>4,247</u>
<b>Total comprehensive income for the year</b>		<u><u>6,648</u></u>	<u><u>650</u></u>

Notes 1 to 28 on pages 25 to 58 form an integral part of these financial statements.

**XYLEM WATER HOLDINGS LIMITED**  
**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2022**

	Notes	2022 £'000	2021 £'000 Restated (see note 1)
<b>Fixed assets</b>			
Intangible assets	13	645	194
Tangible assets	14	8,521	7,466
		<u>9,166</u>	<u>7,660</u>
<b>Current assets</b>			
Stocks	15	21,826	18,707
Debtors	16	137,552	135,029
Cash at bank and in hand		3,942	3,613
		<u>163,320</u>	<u>157,349</u>
<b>Creditors: amounts falling due within one year</b>	17	<u>(57,491)</u>	<u>(126,555)</u>
<b>Net current assets</b>		<u>105,829</u>	<u>30,794</u>
<b>Total assets less current liabilities</b>		<u>114,995</u>	<u>38,454</u>
<b>Creditors: amounts falling due after more than one year</b>	18	<u>(119,143)</u>	<u>(45,103)</u>
<b>Net liabilities before provisions</b>		<u>(4,148)</u>	<u>(6,649)</u>
Provisions for liabilities – Defined benefit pension liability	20	<u>(2,903)</u>	<u>(7,050)</u>
<b>Net liabilities</b>		<u><u>(7,051)</u></u>	<u><u>(13,699)</u></u>
<b>Capital and reserves</b>			
Called up share capital	21	2	2
Share premium account	21	271,999	271,999
Profit and loss account	21	<u>(279,052)</u>	<u>(285,700)</u>
<b>Total deficit</b>		<u><u>(7,051)</u></u>	<u><u>(13,699)</u></u>

Notes 1 to 28 on pages 25 to 58 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 20 December 2023 and are signed on its behalf by:



L J Bentley  
Director

**XYLEM WATER HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
<b>At 1 January 2021</b>	2	271,999	(286,350)	(14,349)
Loss for the financial year	-	-	(2,211)	(2,211)
<b>Other comprehensive income/(expense):</b>				
Deferred tax charge relating to other comprehensive income (note 19)	-	-	(1,386)	(1,386)
Actuarial gain on defined benefit pension scheme (note 20)	-	-	4,247	4,247
<b>Balance at 31 December 2021</b>	<u>2</u>	<u>271,999</u>	<u>(285,700)</u>	<u>(13,699)</u>

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
<b>At 1 January 2022</b>	2	271,999	(285,700)	(13,699)
Profit for the financial year	-	-	3,497	3,497
<b>Other comprehensive income/(expense):</b>				
Deferred tax charge relating to other comprehensive income (note 19)	-	-	(1,037)	(1,037)
Actuarial gain on defined benefit pension scheme (note 20)	-	-	4,188	4,188
<b>Balance at 31 December 2022</b>	<u>2</u>	<u>271,999</u>	<u>(279,052)</u>	<u>(7,051)</u>

Notes 1 to 28 on pages 25 to 58 form an integral part of these financial statements.



**XYLEM WATER HOLDINGS LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	2022 £'000	2021 £'000
<b>Net cash inflow from operating activities</b>	22	4,422	1,684
<b>Returns from investments and servicing of finance:</b>			
Interest received		48	4
<b>Net cash inflow from returns on investments and servicing of finance</b>		48	4
<b>Income tax paid</b>		(1,238)	-
<b>Investing activities</b>			
Purchase to acquire tangible assets		(3,442)	(2,280)
Purchase to acquire intangible assets		(481)	(166)
Receipts from sales of tangible assets		1,033	1,397
<b>Net cash outflows for capital expenditure and financial investment</b>		(2,890)	(1,049)
<b>Net cash inflow before financing activities</b>		342	639
<b>Financing activities:</b>			
Finance lease repayments		(12)	(12)
Interest paid on finance lease		(1)	(1)
<b>Net cash outflow from financing activities</b>		(13)	(13)
<b>Net increase in cash and cash equivalents</b>		329	626

Notes 1 to 28 on pages 25 to 58 form an integral part of these financial statements.

**XYLEM WATER HOLDINGS LIMITED**

**RECONCILIATION OF GROUP NET CASH FLOW TO MOVEMENT IN NET DEBT  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	2022 £'000	2021 £'000
Increase in cash	22	329	626
Net repayment of finance leases	22	12	12
		<hr/>	<hr/>
Change in net debt resulting from cash flows		341	638
Other non-cash movements	22	(51)	-
		<hr/>	<hr/>
Movement in net debt		290	638
Opening net debt	22	(115,444)	(116,082)
		<hr/>	<hr/>
Closing net debt	22	(115,154)	(115,444)
		<hr/>	<hr/>

Notes 1 to 28 on pages 25 to 58 form an integral part of these financial statements.

**XYLEM WATER HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**1. Accounting policies**

**Company information**

Xylem Water Holdings Limited ("the company") is a private limited company, limited by shares, domiciled and incorporated in England and Wales under the Companies Act 2006. The registered office is at Private Road No 1, Colwick Industrial Estate, Nottingham, United Kingdom, NG4 2AN. The company's principal activity is to act as a holding company for a group of companies which are involved in the manufacture of products and provision of services within the water industry.

**Accounting convention**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2016, and under the historical cost convention.

The financial statements are presented in sterling which is the functional currency of the Group. Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

**Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company balances, transactions and unrealised gains and losses on transactions between Group companies are eliminated on consolidation. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

No profit or loss account is present for the Company as permitted by section 408 of the Companies Act 2006. The loss for the financial year of the Company was £1,835k (2021: loss of £2,498k).

The financial statements of the Group are consolidated in the financial statements of Xylem Inc. The consolidated financial statements of Xylem Inc. are available from its registered office at 301 Water Street SE, Washington, DC 20003, USA.

**Subsidiary audit exemptions**

Xylem Water Holdings Limited has issued guarantees over the liabilities of the following companies at 31 December 2022 under section 479C of the Companies Act 2006 and these entities are exempt from the requirements of the Act relating to the audit of their individual financial statements by virtue of section 479A of the Act:

- Xylem Water Solutions UK Holdings Limited (registered no. 04464243)
- Bellingham & Stanley Limited (registered no. 00140250)
- Xylem Water Services Limited (registered no. 02553725)
- Xylem Water Solutions UK Limited (registered no. 00479504)
- Water Process Limited (registered no. 04523662)
- Xylem Water Solutions Rugby Limited (registered no. 02755486)
- Xylem Dewatering Solutions UK Limited (registered no. 00254887)

**Discontinued operations**

Discontinued operations relates to divisions which have been disposed of or ceased trading in the year. Results relating to discontinued operations have been presented separately in the consolidated profit and loss account.

**XYLEM WATER HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**1. Accounting policies (continued)**

**Going concern**

Our future financial results of operations are subject to change due to inherent risks and uncertainties, many of which are beyond our control. Our actions have focused on preserving our financial resilience and strategically positioning of the Group for new customer needs and market trends accelerated by the pandemic. The global market supply and demand dynamics, have adversely affected, and are expected to continue to adversely affect, our supply chains. We have experienced and expect to continue experiencing shortages in the supply of components, parts and raw materials.

To help mitigate the effects of these challenges and increase the resilience of our supply chain, we continue to enhance and augment our risk management activities, including supplier pulsing and redundancy. Additionally, we continue to take measures with respect to buffer stock, the use of alternative suppliers and redesign of certain products to mitigate the impacts of the ongoing supply chain, freight and logistics delays and bolster our access to electronics, parts and raw materials.

The UK Group is supported by its ultimate parent company, Xylem Inc., via loans from Xylem Europe GmbH, the ultimate parent has confirmed that financial support will be continued in order to allow the group companies to meet liabilities as they become due and to carry on business without significant curtailment of operations for 12 months from the date of signing the financial statements. The directors have reviewed details of Xylem Europe GmbH access to credit and loan facilities and the cash flow position and have a reasonable expectation that the Xylem Inc. have sufficient financial resources available to provide support in the future.

The Q3 2023 consolidated results of Xylem Inc, reported total revenue of \$2.1 billion, with reported growth of 50% and organic growth of 10%, surpassing prior guidance, on strong commercial and operational execution. Orders were up 43% on a reported basis and up 3% organically, while backlog grew to \$5.2 billion, up 5% organically. Third quarter adjusted earnings before interest, tax, depreciation, and amortization (EBITDA) margin was 19.8%, reflecting a year-over-year increase of 150 basis points. Adjusted EBITDA margin was 18.9%, up 60 basis points over the prior year period. Strong price realization more than offset inflation and, coupled with productivity savings and higher volume, drove the margin expansion, exceeding the impact of strategic investments. Xylem now expects full-year 2023 revenue of approximately \$7.3 billion, up approximately 32% on a reported basis and up approximately 11% on an organic basis. Full-year 2023 adjusted EBITDA margin is expected to be approximately 19% driven by continuing strong demand, and commercial and operational momentum.

The directors are satisfied that the risks have been identified and that the plans in place will enable the UK Group to deal with the challenges and minimize the financial impact. Overall, the directors have a reasonable expectation that the UK Group will continue to operate effectively and are confident in receiving continued access to financial resources from Xylem Inc. such that the Group has adequate resources to continue operating for the foreseeable future. Therefore, the financial statements have been prepared on the going concern basis.

**Turnover**

Turnover is recognised at the fair value of the consideration received or receivable for the sale of goods, services and rental of equipment to external customers in the ordinary nature of the business. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates. Turnover is shown net of Value Added Tax.

Turnover from the sale of goods is recognised when it and the associated costs can be measured reliably, future economic benefits are probable, and the risks and rewards of ownership have been transferred to the customer. Sales of goods are recognised when goods are delivered, and legal title has passed, and the Group has no continuing managerial involvement associated with ownership or effective control of the goods sold. This is generally when goods have been checked and accepted by the customer on delivery at the specified location.

**XYLEM WATER HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**1. Accounting policies (continued)**

**Turnover (continued)**

Turnover for the supply of services represents the value of services provided under contracts to that the extent that there is a right to a consideration received or receivable. Where a contract has only been partially completed at the balance sheet date, turnover represents the fair value of the service provided based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of the service provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Turnover from the rental of equipment is recognised on an accruals basis in accordance with the substance of the relevant agreement. Income is determined on a time basis recognised on a straight-line basis over the period of the agreement.

Turnover from services provided to Xylem Europe GmbH is based on a mark-up of costs as per the contract for the provision of services between the Company and Xylem Europe GmbH. Turnover is recognised when costs incurred can be estimated reliably and is shown net of Value Added Tax. It is recognised at the fair value of the consideration received or receivable for services provided in normal course of business.

**Long-term contracts**

When the outcome of a long-term contract can be reasonably estimated, and it is probable that the contract will be profitable, turnover and costs are recognised over the period of the contract.

When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

When the outcome of a long-term contract cannot be estimated reliably, contract turnover is recognised only to the extent of contract costs that are recoverable and the contract costs are expensed as incurred.

The Group uses the "percentage of completion method" to determine the appropriate amount of turnover to recognize in a given period. The stage of completion is determined by assessing the physical proportion of completed contract work. Costs that have been incurred in relation to the stage of completion are recognized, whereas costs that have been invoiced but not yet incurred are presented as stocks, prepayments or other assets, depending on their nature and provided it is probable they will be recovered.

Bank interest accruing on capital borrowed to fund the production of long-term contracts is carried forward within long-term contract balances.

**Government grants**

Government grants are recognised on the accrual model and are measured at the fair value of the asset received or receivable. Grants relating to revenue are classified within other operating income within the period in which the receipt relates.

**Research and development**

Research is original and planned investigation, undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems, or services, before the start of commercial production or use.

Costs in relation to research and development activities are expensed through the profit and loss account within the same period the cost is incurred.

**Finance income**

Finance income relates to interest received and is recognised in the profit and loss account on an accruals basis.

**XYLEM WATER HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**1. Accounting policies (continued)**

**Borrowing costs**

The costs of borrowing on interest bearing loans are recognised in the profit and loss account on an accruals basis. Interest is calculated using the effective interest rates determined by the prevailing market interest rates.

The Group has applied the following amendments to FRS 102 issued by the FRC for the first time during the prior year. The amendments issued by the FRC in December 2020. The amendments enable the entity to reflect the effects of transitioning from LIBOR to SONIA without giving rise to accounting impacts that would not provide useful information to users of financial statements. The Group is exposed to SONIA in its intercompany loan balances.

**Intangible assets - goodwill**

Goodwill is capitalised and written off evenly over 5-10 years as in the opinion of the directors, this represents the period over which the goodwill is expected to give rise to economic benefits.

**Intangible assets other than goodwill**

Intangible assets arising on a business combination are recognised, except where the asset arises from legal or contractual rights, and there is no history or evidence of exchange transactions for the same or similar assets and estimating the asset's fair value would depend on immeasurable variables.

Intangible assets are initially recognised at cost (which for intangible assets acquired in a business combination is the fair value at acquisition date) and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Other intangible assets relate to purchased software and acquired trademarks. *Intangible assets are amortised to profit or loss on a straight-line basis over their useful lives, as follows:*

Software	3 to 5 years
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Amortisation is revised prospectively for any significant change in useful life or residual value.

On disposal the difference between the net disposal proceeds and the carrying amount of the intangible asset is recognised in the profit and loss account.

**Tangible assets**

Tangible assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is provided on all tangible assets, other than assets under the course of construction, at rates calculated to write off the cost or valuation of each asset to its estimated residual value on a straight-line basis over its expected useful life, as follows:

Long leasehold land & building improvements	over life of lease
Freehold improvements	2% to 5%
Plant & machinery	10% to 33%
Motor vehicles	10% to 25%
Fixtures, fittings & computer equipment	10% to 33%

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life. Freehold land and assets under the course of construction are not being depreciated.

On disposal the difference between the net disposal proceeds and the carrying amount of the asset is recognised in the profit and loss account.

**XYLEM WATER HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**1. Accounting policies (continued)**

**Impairment of tangible assets**

At each reporting end date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than the carrying amount, the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**Stocks**

Stocks are valued at the lower of cost and estimated selling price less costs to complete and sell based on standard costs. Cost includes direct material and labour costs and an attributable proportion of manufacturing overheads based on normal levels of activity. Costs is calculated using the FIFO (first-in, first-out) method.

At each reporting date, the Group assesses whether stocks are impaired or if an impairment loss recognised in prior periods has reversed. Any excess of the carrying amount of stock over its estimated selling price less costs to complete and sell is recognised as an impairment loss in the profit and loss account.

Reversals of impairment losses are also recognised in the profit and loss account.

**Financial Instruments**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

**(i) Financial assets and liabilities**

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

**XYLEM WATER HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**1. Accounting policies (continued)**

**Financial instruments (continued)**

***(i) Financial assets and liabilities (continued)***

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments that comply with all of the condition of paragraph 11.9 of FRS 102 are classified as 'basic'. For debt instruments that do not meet the conditions of FRS 102.11.9, the Group considers whether the debt instrument is consistent with the principle in paragraph 11.9A of FRS 102 in order to determine whether it can be classified as basic. Instruments classified as 'basic' financial instruments are measured subsequently at amortised cost using the effective interest method. Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting conditions of being 'basic' financial instruments are measured at fair value through the profit and loss account.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

***(ii) Investments***

Investments in non-derivative instruments that are equity of the issuer (where shares are publicly traded, or their fair value is reliably measurable) are measured at fair value through profit or loss. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

In the Company balance sheet, investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

***(iii) Equity instruments***

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of transaction costs.

***(iv) Derivative financial instruments***

The Group does not use derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

***(v) Fair value measurement***

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.



**XYLEM WATER HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**1. Accounting policies (continued)**

**Taxation**

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax assets and liabilities are offset only if: a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**Provisions**

Provisions are recognised when the Group has a legal or constructive present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in the profit and loss account in the period it arises.

**Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

**Retirement benefits**

The Group operates a defined contribution scheme and also contributes to three separate Group retirement benefit schemes.

**XYLEM WATER HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**1. Accounting policies (continued)**

**Retirement benefits (continued)**

***Defined contribution plan***

The amount charged to profit or loss in respect of pension costs and other post-retirement benefits represent the contributions payable in the year by the Group. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

***Defined benefit schemes***

The Group is a member of three Group defined benefit schemes. The assets of the schemes are managed separately from those of the Company. The costs recognised by the Group are determined, where applicable, by contractual agreements for charging the defined benefit costs between the Group and other group companies.

The defined benefit schemes are valued every three years by a professionally qualified independent actuary. These plans have now closed. The cost of providing benefits under each defined benefit scheme is determined separately for each plan using the projected unit credit method and is based on actuarial advice.

The change in the defined benefit asset/(liability) arising from employee service during the year is recognised as an employee cost within operating profit or loss. The cost of plan introductions, benefit changes, settlements and curtailments are recognised as incurred.

The net interest element is determined by multiplying the defined benefit liability by the discount rate, taking into account any changes in the defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Re-measurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the defined benefit liability excluding amounts included in net finance income/(cost). These are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to profit and loss in subsequent periods.

The defined benefit pension asset/(liability) in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

**Share-based payments – Xylem Group plans**

The Group participates in a share-based payment arrangement granted to its employees and employees of its subsidiaries. The Group has elected to recognise and measure its share-based payment expense on the basis of a reasonable allocation of the expense for the group. The directors consider the number of unvested options granted to the Group's employees compared to the total unvested options granted under the group plan to be a reasonable basis for allocating the expense.

**Leases**

Assets held under finance lease, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payment as determined at the inception of the lease) are depreciated over the shorter of the lease terms and their useful lives. The capital element of future lease obligations is recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the lease to produce a constant periodic rate of interest on the remaining balance of the liability.

**XYLEM WATER HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**1. Accounting policies (continued)**

**Leases (continued)**

*Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.*

**Foreign exchange**

Transactions in currencies other than the functional currency are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

**Restatement**

During the current year management have revised the format of the balance sheet to better reflect the requirements of the Companies Act 2006 which is deemed to be a change of accounting policy. The following changes have been made:

The heading 'Non-Current Assets' has been renamed as 'Fixed Assets'.

*The deferred tax asset balance in the prior year of £2,709k has been reclassified from a non-current asset to debtors: amounts due within one year on the balance sheet.*

The 'defined benefit pension liability' has been renamed as 'Provisions for liabilities – Defined benefit pension liability'.

**2. Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

***Critical accounting estimates and assumptions***

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

***Pension scheme - estimate***

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. There is no exposure on the bought in liabilities which reduces the risk. See note 20.

*There are not considered to be any critical judgements.*

**XYLEM WATER HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**3. Turnover**

An analysis of the Group's revenue (including turnover) by category is as follows:

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Sale of goods	198,285	194,044
Rendering of services	30,162	24,764
Income from long term contracts	5,107	6,246
Rental income	7,002	5,608
	<u>240,556</u>	<u>230,662</u>

An analysis of the geographical location of the Group's turnover is as follows:

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
United Kingdom	168,936	141,875
Rest of Europe	65,442	82,721
Rest of World	6,178	6,066
	<u>240,556</u>	<u>230,662</u>

**4. Discontinued operations**

In accordance with Xylem's strategy to develop manufacturing centres of excellence, optimise our footprint and remain competitive in the marketplace to better serve our customers, changes to our Speciality Flow Centre (SFC) site in Hoddesdon have taken place, where the SFC production has now fully transitioned to Hungary with our SFC support remaining in the UK. Results of the manufacturing division are disclosed as discontinued operations since all manufacturing ceased on 27 March 2022.

	<b>Continuing operations</b> <b>£'000</b>	<b>2022</b> <b>Discontinued operations</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
Turnover	237,019	3,537	240,556
Cost of sales	(187,630)	(3,419)	(191,049)
<b>Gross profit</b>	<u>49,389</u>	<u>118</u>	<u>49,507</u>
Administrative expenses	(19,990)	(19)	(20,009)
Selling and distribution expenses	(23,595)	-	(23,595)
Profit on disposal of fixed assets	134	(35)	99
Other operating income	280	-	280
<b>Operating profit</b>	<u>6,218</u>	<u>64</u>	<u>6,282</u>

**XYLEM WATER HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**4. Discontinued operations (continued)**

	Continuing operations £'000	2021 Discontinued operations £'000	Total £'000
Turnover	207,329	23,333	230,662
Cost of sales	(169,810)	(19,980)	(189,790)
<b>Gross profit</b>	<b>37,519</b>	<b>3,353</b>	<b>40,872</b>
Administrative expenses	(20,044)	-	(20,044)
Selling and distribution expenses	(21,491)	-	(21,491)
Profit on disposal of fixed assets	1,148	37	1,185
Other operating income	2,447	16	2,463
<b>Operating profit</b>	<b>(422)</b>	<b>3,407</b>	<b>2,985</b>

**5. Other operating income**

	2022 £'000	2021 £'000
Defined benefit pension credits (note 20)	280	2,410
Coronavirus Job Retention Scheme income	-	53
	<u>280</u>	<u>2,463</u>

The Group receives contributions to its defined benefit pension plan (XUPP) from Xylem Europe GmbH, a fellow group company.

**6. Operating profit**

	2022 £'000	2021 £'000
Operating profit is stated after charging/(crediting):		
Amortisation of intangible assets (note 13)	30	4,847
Depreciation of tangible fixed assets (note 14)	1,489	1,648
Depreciation of tangible fixed assets held under finance lease (note 14)	14	12
Profit on disposal of tangible fixed assets	(99)	(1,185)
Fees payable to the Group's auditor for services in relation to:		
- audit of the Group financial statements	320	315
- audit of the Company financial statements	15	15
Exchange (gains)/losses	(180)	505
Stock provision expense	480	1,507
Operating lease charges	4,818	4,024
R&D Expenditure	<u>1,147</u>	<u>1,385</u>

**XYLEM WATER HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**7. Staff costs**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	42,491	37,340
Social security costs	4,847	4,040
Redundancy costs	132	242
Furlough payments	-	53
Pension costs – Defined contribution pension (note 20)	2,549	2,351
Share based payments (note 26)	296	162
	<u>50,315</u>	<u>44,188</u>

The average monthly number of persons (including directors) employed by the Group during the year was as follows:

	<b>2022</b>	<b>2021</b>
	<b>No.</b>	<b>No.</b>
Management	15	15
Production	57	105
Warehouse and distribution	294	255
Selling and marketing	237	213
Administration	232	206
R&D	8	14
	<u>843</u>	<u>808</u>

**8. Directors' remuneration**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Directors' emoluments	856	697
Group contributions to money purchase pension schemes	41	37
	<u>897</u>	<u>734</u>

The number of directors to whom retirement benefits are accruing under:

	<b>2022</b>	<b>2021</b>
	<b>No.</b>	<b>No.</b>
Defined contribution schemes	<u>5</u>	<u>5</u>

No share options were exercised or granted in the year (2021: none).

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**8. Directors' remuneration (continued)**

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Director's emoluments	360	290
Group contributions to money purchase pension schemes	15	14
	<u>375</u>	<u>304</u>

The highest paid director did not exercise any share options in the year and had no shares receivable under long term incentive schemes.

**9. Interest receivable and similar income**

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Bank interest receivable	-	3
Interest receivable from group companies	681	1
Interest receivable from HMRC	48	-
	<u>729</u>	<u>4</u>

**10. Interest payable and similar charges**

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Interest payable on finance leases	1	1
Interest payable to group companies	4,161	3,827
Interest payable to HMRC	-	90
	<u>4,162</u>	<u>3,918</u>

**11. Other finance costs**

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Net finance costs on defined benefit plans (note 20)	<u>188</u>	<u>179</u>

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**12. Taxation**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax</b>		
UK corporation tax	430	(54)
Adjustments in respect of prior periods	(513)	1,489
<b>Total current tax</b>	<b>(83)</b>	<b>1,435</b>
<b>Deferred tax</b>		
Adjustments in respect of prior periods	130	509
Tax rate change	-	(211)
<b>Total deferred tax</b>	<b>130</b>	<b>298</b>
<b>Total tax charge</b>	<b>47</b>	<b>1,733</b>

**Factors affecting current tax charge**

The tax charge for the year is lower (2021: charge is higher) than the average standard rate of corporation tax in the UK for the year ended 31 December 2022 of 19% (2021: 19%). These differences are reconciled below:

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Profit/(loss) before taxation	3,544	(478)
Profit/(loss) multiplied by the average standard rate of corporation tax in the UK for the year of 19% (2021: 19%)	673	(91)
Effects of:		
(Income)/expenses that are not allowable for tax purposes	(243)	37
Adjustments in respect of prior periods	(383)	1,998
Tax rate change	-	(211)
<b>Total tax charge for the year</b>	<b>47</b>	<b>1,733</b>

**Factors that may affect future tax charge**

The UK finance act of 2021, which was substantively enacted in 2021, already indicates that the rates will be increased from 19% to 25%. The Chancellor announced on 15 March 2023 in his 2023 budget that there would be future changes to the amount of corporation tax in the UK, starting from the beginning of April 2023, the rate of corporation tax will be increasing from 19% to 25%. At balance sheet date, deferred tax balances are measured at 25% (2021: 25%).



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**13. Intangible assets**

	<b>Goodwill £'000</b>	<b>Software £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 January 2022	237,312	1,712	239,024
Additions	-	481	481
Disposals	-	(1,383)	(1,383)
At 31 December 2022	<u>237,312</u>	<u>810</u>	<u>238,122</u>
<b>Amortisation and impairment</b>			
At 1 January 2022	237,312	1,518	238,830
Amortisation charged in the year	-	30	30
Disposals	-	(1,383)	(1,383)
At 31 December 2022	<u>237,312</u>	<u>165</u>	<u>237,477</u>
<b>Carrying amount</b>			
At 31 December 2022	<u>-</u>	<u>645</u>	<u>645</u>
At 31 December 2021	<u>-</u>	<u>194</u>	<u>194</u>

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**14. Tangible assets**

	Long leasehold land & building improvements £'000	Freehold land & buildings £'000	Assets under the course of construction £'000	Fixtures, fittings & computer equipment £'000	Plant & machinery £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>							
At 1 January							
2022	2,227	1,460	918	4,371	18,715	165	27,856
Additions	347	114	1,323	605	1,047	56	3,492
Disposals	-	-	(265)	(484)	(3,245)	(51)	(4,045)
Transfer between classes	-	-	(111)	48	63	-	-
At 31 December	<u>2,574</u>	<u>1,574</u>	<u>1,865</u>	<u>4,540</u>	<u>16,580</u>	<u>170</u>	<u>27,303</u>
<b>Depreciation</b>							
At 1 January							
2022	1,907	718	-	3,473	14,139	153	20,390
Charge for the year	86	28	-	272	1,100	17	1,503
Disposals	-	-	-	(313)	(2,747)	(51)	(3,111)
At 31 December	<u>1,993</u>	<u>746</u>	<u>-</u>	<u>3,432</u>	<u>12,492</u>	<u>119</u>	<u>18,782</u>
<b>Carrying amount</b>							
At 31 December	<u>581</u>	<u>828</u>	<u>1,865</u>	<u>1,108</u>	<u>4,088</u>	<u>51</u>	<u>8,521</u>
At 31 December	<u>320</u>	<u>742</u>	<u>918</u>	<u>898</u>	<u>4,576</u>	<u>12</u>	<u>7,466</u>

The net book value of motor vehicles includes £50k (2021: £8k) in respect of assets held under hire purchase contracts.

Included in freehold land and buildings is land at a value of £438k (2021: £438k) which is not being depreciated. Assets under the course of construction are also not being depreciated.

**15. Stocks**

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Finished goods and goods for resale	11,305	8,584
Work in progress	2,580	1,281
Raw materials	<u>7,941</u>	<u>8,842</u>
	<u>21,826</u>	<u>18,707</u>

There is no significant difference between the replacement cost of work in progress and finished goods and goods for resale and their carrying amounts.

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**16. Debtors: amounts due within one year**

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b> <b>Restated</b> <b>(see note 1)</b>
Trade debtors	33,572	34,212
Amounts due from parent company	1	1
Amounts due from other group companies:		
- Interest bearing	75,959	69,910
- Non-interest bearing	13,813	20,089
Corporation tax receivable	293	781
Deferred taxation (note 19)	1,542	2,709
Other debtors	2,510	-
Prepayments and accrued income	8,502	4,479
Amounts recoverable on contracts	1,360	2,848
	<b>137,552</b>	<b>135,029</b>

Interest on loans to other group companies is accrued at 1.15% (2021: 0.92%) for EUR, 2.31% (2021: 1.35%) for GBP and 2.62% (2021: 1.45%) for USD in accordance with the terms agreed with Group & European treasury. Amounts due from the parent company and other group companies are unsecured and repayable on demand.

**17. Creditors: amounts falling due within one year**

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Obligations under finance leases (note 23)	9	12
Payments received on account	262	-
Trade creditors	11,251	9,412
Amounts due to other group companies		
- Interest bearing	1,304	75,195
- Non-interest bearing	28,363	26,027
Corporation tax payable	371	900
Other taxation and social security	2,871	2,488
Other creditors	794	948
Accruals and deferred income	12,266	11,573
	<b>57,491</b>	<b>126,555</b>

In the previous year, there were loans from Xylem Europe GmbH, a fellow group company, of £30m and £14m of which interest was charged on both loans at a variable rate of 1% SONIA, with maturity scheduled for 31 March 2022. In addition, there was a loan from Xylem Europe GmbH of £30m of which interest was charged at a variable rate of 0.6% SONIA with maturity also scheduled for 31 March 2022. During 2022, the maturity date of all these loans was extended to 31 March 2027, therefore these loans are now reclassified within Creditors: amounts falling due within one year.

Other amounts owed to other group companies are non-interest bearing, unsecured and repayable on demand.

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**18. Creditors: amounts falling due after more than one year**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Amounts due to other group companies	119,045	45,045
Obligations under finance leases (note 23)	42	-
Accruals and deferred income	56	58
	<u>119,143</u>	<u>45,103</u>

Interest is charged on loan 1 which has a balance outstanding of £15m (2021: £15m) at a fixed rate of 6.15% (2021: 6.15%) and on loan 2 which has a balance outstanding of £30m (2021: £30m) at a fixed rate of 5.97% (2021: 5.97%). Both loans are repayable to Xylem Europe GmbH in 2031.

There are loans from Xylem Europe GmbH of £30m and £14m of which interest is charged on both at a variable rate of 1% SONIA (2021: 1% SONIA) with maturity scheduled for 31 March 2027. There is an additional loan from Xylem Europe GmbH of £30m of which interest is charged at a variable rate of 0.6% SONIA (2021: 0.6% SONIA) with maturity also scheduled for 31 March 2027 at the balance sheet date. These loans were previously classified within Creditors: amounts falling due within one year since the maturity date was originally 31 March 2022.

**19. Deferred tax asset**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
		<b>Restated</b>
		<b>(see note 1)</b>
Retirement benefit obligation	726	1,763
Accelerated capital allowances	184	278
Losses carried forward	632	666
Other timing differences	-	2
	<u>1,542</u>	<u>2,709</u>

Amounts above are disclosed within:

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
		<b>Restated</b>
		<b>(see note 1)</b>
Debtors: amounts due within one year	<u>1,542</u>	<u>2,709</u>

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**19. Deferred tax asset (continued)**

The movement on the deferred tax asset is as follows:

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
At 1 January	2,709	4,393
Profit and loss account movement arising during the year	(130)	(509)
Profit and loss account movement arising due to tax rate change	-	211
Movement arising from pension scheme deficit	(1,037)	(2,381)
Movement arising from tax rate change on pension scheme deficit	-	995
As at 31 December	<u>1,542</u>	<u>2,709</u>

A deferred tax asset is recognised to the extent that the asset is forecast to be utilised within the foreseeable future. The Group anticipates deferred tax of £346k will be reversed during 2023.

**20. Retirement benefit schemes**

**a) Defined contribution schemes**

A defined contribution pension scheme was introduced to the Group in 2007 following the closure of Xylem UK Pension Plan (XUPP) to new entrants and to existing employees in 2012 following the closure of Xylem UK Pension Plan (XUPP) to accrual. It was extended on 1 July 2014, to replace the Godwin Pumps Limited pension scheme, a defined benefit scheme which closed. The pension cost charge for the year represents contributions paid by the Group into the defined contribution pension scheme and amounted to £2,549k (2021: £2,351k). A liability of £nil (2021: £nil) existed in respect of pension contributions at 31 December 2022.

**b) Defined benefit schemes**

**Defined benefit pension liability**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Xylem UK Pension Plan (XUPP)	-	2,605
Godwin Pumps Limited Pension Scheme	(2,903)	(9,655)
Xylem UK Pension Plan for UK Expatriates (XPPX)	-	-
	<u>(2,903)</u>	<u>(7,050)</u>

**Xylem UK Pension Plan (XUPP)**

The Xylem UK Pension Plan (XUPP) closed to new entrants in November 2007 and all future payments due in future years are to recover the deficit of the scheme. The XUPP is a defined benefit scheme in the UK that shares risks between entities under common control. There is no contractual agreement or stated policy for charging the net defined benefit cost to individual group entities; therefore, the net defined benefit cost of the whole defined benefit Plan is recognised in the financial statements of Xylem Water Solutions UK Limited, which is legally responsible for the plan. Xylem Water Services Limited recognises a cost equal to its contributions payable for the period in its individual financial statements.

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**20. Retirement benefit schemes (continued)**

**b) Defined benefit schemes (continued)**

**Xylem UK Pension Plan (XUPP) (continued)**

The Plan is a defined benefit plan providing benefits that are linked to salary at the date of the Plan closure or an earlier date of leaving service. The Plan is now closed to future accrual with benefits for non-pensioners increasing broadly in line with inflation in the period to retirement. The Plan is governed by Trustee Directors, who are responsible for ensuring that there are sufficient funds to meet current and future obligations. The Plan's assets are held in a separate fund from the Group's assets. The contributions payable into the Plan are determined by the Trustee Directors and the plan's sponsoring Company, Xylem Water Solutions UK Limited, after obtaining the advice of the Scheme Actuary at each formal triennial actuarial valuation.

The Xylem UK Pension Plan (XUPP) entered into a buy-in arrangement with an insurance company during 2020. With effect from 27 January 2020, when the risk was formally transferred, the bulk of the Plan's assets were used to purchase annuities in the name of the Trustee to cover most of the Plan's liabilities. The value of the final premium paid to the insurer (prior to data true-up) was £256.1m.

As at 30 September 2022 the Plan was fully bought out. All benefits were secured with Rothesay and were removed from the Group's balance sheet. At 30 September 2022 there was a residual amount of £282k in the Trustee Bank Account, which was expected to be used to meet future expenses. This has been treated as a settlement loss within the profit and loss account. During the year, the Group made gross contributions of £800k (2021: £6,886k) to the scheme whilst receiving credits from another group company of £280k (2021: £2,410k). The scheme was fully wound up on 14 November 2023.

Plan assets are stated at their fair values at the respective balance sheet dates, and include monies held in the Trustee bank account and the value of insurance policies held in the name of the Plan Trustee measured using the FRS102 assumptions at the respective year-ends.

The contributions made by Xylem Europe GmbH, a fellow group company, amounted £280k (2021: £2,410k) and have been recorded in the profit and loss account within other operating income (note 5). Total contributions paid to the scheme by the Group amounted £800k (2021: £6,886k). A liability of £nil (2021: £nil) existed in respect of pension contributions at 31 December 2022. The total contributions to be paid to the scheme by the Group for 2023 are expected to be £nil.

An actuarial review of the scheme valuation for FRS 102 was carried out by a qualified independent actuary as at 31 December 2022. The major assumptions used by the actuary were:

	<b>2022</b>	<b>2021</b>
	<b>%</b>	<b>%</b>
Discount rate	n/a	1.85
RPI inflation	n/a	3.55
CPI inflation	n/a	3.05
Pension increases:		
- RPI price inflation, capped at 2.5%	n/a	2.20
- CPI price inflation, capped at 3%	n/a	2.40
- CPI price inflation, capped at 5%	n/a	3.00

The average life expectancy for a pensioner retiring at 65 on the reporting date is:

	<b>2022</b>	<b>2021</b>
	<b>Years</b>	<b>Years</b>
Male	n/a	23.0
Female	n/a	25.0

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**20. Retirement benefit schemes (continued)**

**b) Defined benefit schemes (continued)**

**Xylem UK Pension Plan (XUIPP) (continued)**

The average life expectancy for an employee retiring at 65 that is aged 45 at the reporting date is:

	<b>2022 Years</b>	<b>2021 Years</b>
Male	n/a	24.7
Female	n/a	26.9

**Sensitivities of the scheme assets**

No sensitivities have been shown. Due to the scheme buy out, there are no assets or liabilities remaining at the year-end date no sensitivities are required.

**Assets and liabilities of the scheme**

The amounts included in the balance sheet arising from the Group's obligations in respect of defined benefit scheme are as follows:

	<b>2022 £'000</b>	<b>2021 £'000</b>
Scheme assets at fair value:		
Cash	-	2,605
Insured pensions	-	227,470
	<hr/>	<hr/>
Fair value of scheme assets		230,075
Present value of defined benefit obligation	-	(227,470)
	<hr/>	<hr/>
Net pension asset	-	2,605
	<hr/>	<hr/>

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**20. Retirement benefit schemes (continued)**

**b) Defined benefit schemes (continued)**

**Xylem UK Pension Plan (XUPP) (continued)**

**Amounts recognised in profit and loss account**

The amounts recognised in the profit and loss account for the year are analysed as follows:

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Loss on settlements	(282)	-
Administration expenses	(1,633)	(1,900)
Recognised in arriving at operating profit	(1,915)	(1,900)
Expected return on pension scheme assets	3,116	3,122
Interest on pension scheme liabilities	(3,086)	(3,152)
Interest cost adjustment	(36)	-
Net finance costs (note 11)	(6)	(30)
Total expense recognised in profit and loss account	(1,921)	(1,930)

**Amounts transferred to statement of other comprehensive income**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Actuarial loss on scheme assets	(78,976)	(11,218)
Actuarial gain on scheme liabilities	77,456	14,077
Interest cost adjustment	36	-
Net (loss)/gain recognised	(1,484)	2,859



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**20. Retirement benefit schemes (continued)**

**b) Defined benefit schemes (continued)**

**Xylem UK Pension Plan (XUPP) (continued)**

**Reconciliation of the fair value of the scheme assets**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of scheme assets at 1 January	230,075	242,111
Interest income	3,116	3,122
Actuarial loss	(78,976)	(11,218)
Employer contributions	520	4,476
Contributions paid by other group companies (note 5)	280	2,410
Administration expenses	(1,633)	(1,900)
Benefits paid	(9,165)	(8,147)
Remeasurement at 30 September 2022	(144,217)	-
Other	-	(779)
Fair value of scheme assets at 31 December	-	230,075

**Reconciliation of the present value of the scheme liabilities**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Present value of scheme liabilities at 1 January	227,470	246,542
Interest cost	3,086	3,152
Past service cost	-	-
Actuarial gain	(77,456)	(14,077)
Benefits paid	(9,165)	(8,147)
Remeasurement at 30 September 2022	(143,935)	-
Present value of scheme liabilities at 31 December	-	227,470

**Godwin Pumps Limited Pension Scheme**

The Group participates in the Godwin Pumps Limited Pension Scheme, a fully funded defined benefit pension scheme. On 30 June 2014, the scheme was closed to new entrants and future accruals, with all participants transferred to the defined contribution scheme. Total contributions paid to the Scheme amounted £1,430k (2021: £1,460k). The total contributions to be paid to the scheme by the Group for 2023 are expected to be £1,430k. A liability of £nil (2021: £nil) existed in respect of pension contributions at 31 December 2022.

The pension payable to an individual is based on their average earnings calculated over the period of pensionable service.

A full actuarial valuation of the Godwin Pumps Limited Pension Scheme was undertaken at 1 May 2020.

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**20. Retirement benefit schemes (continued)**

**b) Defined benefit schemes (continued)**

**Godwin Pumps Limited Pension Scheme (continued)**

An actuarial review of the scheme valuation for FRS 102 was carried out by a qualified independent actuary as at 31 December 2022. The major assumptions used by the actuary were:

	<b>2022</b>	<b>2021</b>
Discount rate	4.75%	2.00%
Inflation assumption (RPI)	3.20%	3.50%
Inflation assumption (CPI)	2.75%	3.10%
Rate of increase in deferred pensions	2.75%	3.10%
Salary increase	2.75%	3.10%

Employees are entitled to retirement benefits upon reaching the retirement age of 65.

The average life expectancy for a pensioner retiring at 65 on the reporting date is:

	<b>2022 Years</b>	<b>2021 Years</b>
Male	21.9	21.9
Female	24.7	24.6

The average life expectancy for an employee retiring at 65 that is aged 45 at the reporting date is:

	<b>2022 Years</b>	<b>2021 Years</b>
Male	23.2	23.2
Female	26.1	26.0

**Sensitivities of the scheme liabilities**

	<b>Change in DBO 2022 £'000</b>	<b>Change in DBO 2021 £'000</b>
Change of -0.10% in discount rate	295	670
Change of +0.10% in inflation rate	373	629
Change of 1.50% in long term mortality rate	146	380

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**20. Retirement benefit schemes (continued)**

**b) Defined benefit schemes (continued)**

**Godwin Pumps Limited Pension Scheme (continued)**

**Assets and liabilities of the scheme**

The amounts included in the balance sheet arising from the Group's obligations in respect of defined benefit scheme are as follows:

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Scheme assets at fair value:		
Equities	4,520	8,112
Diversified growth fund	9,062	12,816
Cash and other	5,468	3,896
	<hr/>	<hr/>
Fair value of scheme assets	19,050	24,824
Present value of defined benefit obligation	(21,953)	(34,479)
	<hr/>	<hr/>
Net pension liability	(2,903)	(9,655)
	<hr/>	<hr/>

**Amounts recognised in profit and loss account**

The amounts recognised in the profit and loss account for the year are analysed as follows:

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Administration expenses	(184)	(246)
	<hr/>	<hr/>
Recognised in arriving at operating profit	(184)	(246)
Expected return on pension scheme assets	498	313
Interest on pension scheme liabilities	(680)	(462)
	<hr/>	<hr/>
Net finance costs (note 11)	(182)	(149)
	<hr/>	<hr/>
Total expense recognised in profit and loss account	(366)	(395)
	<hr/>	<hr/>

**Amounts transferred to statement of other comprehensive income**

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Actuarial (loss)/gain on scheme assets	(6,493)	390
Actuarial gain on scheme liabilities	12,181	1,033
	<hr/>	<hr/>
Net gain	5,688	1,423
	<hr/>	<hr/>

**XYLEM WATER HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**20. Retirement benefit schemes (continued)**

**b) Defined benefit schemes (continued)**

**Godwin Pumps Limited Pension Scheme (continued)**

**Reconciliation of the fair value of the scheme assets**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of scheme assets at 1 January	24,824	23,944
Expected return on scheme assets	498	313
Actuarial (loss)/gain	(6,493)	390
Group contributions	1,430	1,460
Benefits paid	(1,025)	(1,037)
Administration expenses	(184)	(246)
Fair value of scheme assets at 31 December	<u>19,050</u>	<u>24,824</u>

**Reconciliation of the present value of the scheme liabilities**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Present value of scheme liabilities at 1 January	34,479	36,087
Interest cost	680	462
Actuarial gain	(12,181)	(1,033)
Benefits paid	(1,025)	(1,037)
Present value of scheme liabilities at 31 December	<u>21,953</u>	<u>34,479</u>

**Xylem UK Pension Plan for UK Expatriates (XPPX)**

The Group participates in the Xylem Pension Plan for UK Expatriates (XPPX). The pension cost charge for the year represents contributions paid by the Group of £70k (2021: £70k) into this defined benefit pension scheme. A liability of £nil (2021: £nil) existed in respect of pension contributions at 31 December 2022. The contributions to be paid to the scheme by the Group for 2023 are expected to be £70k.

The XPPX is a defined benefit scheme in the UK of which the assets and liabilities are held independently from the Group. The expected cost of providing pensions, as calculated periodically by a professionally qualified independent actuary, is charged to the profit and loss account so as to spread the cost over the service life of the employees in the scheme in such a way that the pension cost is a substantially level percentage of current expected future pensionable payrolls.

The Plan provided benefits linked to salary at retirement or earlier date of leaving services. The Plan is now closed to future accrual with benefits for non-pensioners increasing broadly in line with inflation in the period to retirement.

Under the rules of the scheme, the contributions payable into Plan are set by the employer at each triennial valuation, after consulting with the Trustees and after obtaining the advice of the scheme Actuary. The most recent triennial funding valuation as at 1 January 2021 found that the Plan was in surplus at that date on the Group's funding basis, so no deficit funding contributions were required.

**XYLEM WATER HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**20. Retirement benefit schemes (continued)**

**b) Defined benefit schemes (continued)**

**Xylem UK Pension Plan for UK Expatriates (XPPX)**

An actuarial review of the scheme valuation for FRS 102 was carried out by a qualified independent actuary as at 31 December 2022. The major assumptions used by the actuary were:

	<b>2022</b>	<b>2021</b>
Discount rate	4.85%	1.80%
Inflation assumption (RPI)	3.25%	3.70%
Inflation assumption (CPI)	2.65%	3.05%

Employees are entitled to retirement benefits upon reaching the retirement age of 65.

The average life expectancy for a pensioner retiring at 65 on the reporting date is:

	<b>2022</b> <b>Years</b>	<b>2021</b> <b>Years</b>
Male	25.2	25.1
Female	27.5	27.5

The average life expectancy for an employee retiring at 65 that is aged 45 at the reporting date is:

	<b>2022</b> <b>Years</b>	<b>2021</b> <b>Years</b>
Male	23.6	23.5
Female	25.9	25.8

**Sensitivities of the scheme assets**

	<b>Change in</b> <b>DBO</b> <b>2022</b> <b>£'000</b>	<b>Change in</b> <b>DBO</b> <b>2021</b> <b>£'000</b>
Change of -0.25% in discount rate	104	174
Change of +0.25% in inflation rate	13	28
Change of +1 years in life expectancy	177	329

**XYLEM WATER HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**20. Retirement benefit schemes (continued)**

**b) Defined benefit schemes (continued)**

**Xylem UK Pension Plan for UK Expatriates (XPPX) (continued)**

The amounts included in the balance sheet arising from the Group's obligations in respect of defined benefit scheme are as follows:

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Scheme assets at fair value:		
Fair value of scheme assets at 1 January	62	76
Expected return on scheme assets	244	296
Employer contributions	841	1,098
Actuarial loss	1,651	2,211
Administration costs	2,871	3,674
Benefits paid	70	221
	<hr/>	<hr/>
Fair value of scheme assets	5,739	7,576
Present value of defined benefit obligation	(5,279)	(7,290)
	<hr/>	<hr/>
Surplus in the scheme	460	286
Restriction on pension asset	(460)	(286)
	<hr/>	<hr/>
Net pension asset	-	-
	<hr/>	<hr/>

The pension asset has been restricted following the closure of the scheme as the asset cannot be recovered through a reduction in future contributions.

**Amounts recognised in profit and loss account**

The amounts recognised in the profit and loss account for the year are analysed as follows:

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Administration expenses	(54)	(35)
	<hr/>	<hr/>
Recognised in arriving at operating profit	(54)	(35)
	<hr/>	<hr/>
Expected return on pension scheme assets	132	87
Interest on pension scheme liabilities	(127)	(84)
Interest cost adjustment	(5)	(3)
	<hr/>	<hr/>
Net finance costs (note 11)	-	-
	<hr/>	<hr/>
Total expense recognised in profit and loss account	(54)	(35)
	<hr/>	<hr/>

**XYLEM WATER HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**20. Retirement benefit scheme (continued)**

**b) Defined benefit schemes (continued)**

***Xylem UK Pension Plan for UK Expatriates (XPPX) (continued)***

**Amounts transferred to statement of other comprehensive income**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Actuarial loss on scheme assets	(1,474)	(233)
Actuarial gain on scheme liabilities	1,627	230
Restriction on pension asset excluding interest cost adjustment	(169)	(32)
<b>Net loss</b>	<b>(16)</b>	<b>(35)</b>

**Reconciliation of the fair value of the scheme assets**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of scheme assets at 1 January	7,576	8,174
Expected return on scheme assets	132	87
Employer contributions	70	70
Actuarial loss	(1,474)	(233)
Administration costs	(54)	(35)
Benefits paid	(511)	(487)
<b>Fair value of scheme assets at 31 December</b>	<b>5,739</b>	<b>7,576</b>

**Reconciliation of the present value of the scheme liabilities**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Present value of scheme liabilities at 1 January	7,290	7,923
Interest cost	127	84
Actuarial gain	(1,627)	(230)
Benefits paid	(511)	(487)
<b>Present value of scheme liabilities at 31 December</b>	<b>5,279</b>	<b>7,290</b>

**XYLEM WATER HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**21. Share capital and reserves**

**Called up share capital**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<i>Allotted, called-up and fully paid</i>		
2,101 ordinary shares of £1 each	<u>2</u>	<u>2</u>

The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

**Share premium account**

	<b>£'000</b>
At 1 January 2022 and at 31 December 2022	<u>271,999</u>

The share premium account represents the consideration received for shares issued above their nominal value net of transaction costs.

**Profit and loss account**

*The cumulative profit and loss, net of distributions to the owners of the Group.*

**22. Cash flow statement**

**Reconciliation of operating profit to cash generated by operations**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Operating profit	6,282	2,985
Adjustment for:		
Amortisation (note 13)	30	4,847
Depreciation (note 14)	1,503	1,660
Profit on sale of tangible assets	(99)	(1,185)
Operating cash inflow before movement in working capital	<u>7,716</u>	<u>8,307</u>
Inventories (note 15)	(3,119)	(2,732)
Trade and other receivables	(2,014)	(795)
Trade and other payables	1,986	4,173
Pension contributions in excess of operating costs	(147)	(5,456)
Provisions and other financial liabilities	-	(1,813)
Net cash inflows from operating activities	<u>4,422</u>	<u>1,684</u>



**XYLEM WATER HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**22. Cash flow statement (continued)**

*Net debt reconciliation*

	At 1 January 2022 £'000	Cash flows £'000	Other non- cash changes £'000	At 31 December 2022 £'000
Cash and cash equivalents	3,613	329	-	3,942
	3,613	329	-	3,942
<b>Net debt due within one year</b>				
Obligations under finance leases (note 17)	(12)	12	(9)	(9)
Amounts due to parent and other group Companies (note 17)	(74,000)	-	74,000	-
<b>Net debt due after more than one year</b>				
Obligations under finance leases (note 18)	-	-	(42)	(42)
Amounts due to parent and other group Companies (note 18)	(45,045)	-	(74,000)	(119,045)
<b>Net debt</b>	<b>(115,444)</b>	<b>341</b>	<b>(51)</b>	<b>(115,154)</b>

Other non-cash changes include the reclassification of loans from Xylem Europe GmbH, a fellow group company. Loans of £30m and £14m of which interest was charged on both loans at a variable rate of 1% SONIA, with maturity scheduled for 31 March 2022. In addition, there was a loan of £30m of which interest was charged at a variable rate of 0.6% SONIA with maturity also scheduled for 31 March 2022. During 2022, the maturity date of all these loans was extended to 31 March 2027, therefore these loans are now reclassified within Creditors: amounts falling due within one year.

**23. Financial commitments**

The group participates in a treasury arrangement, which calls for unlimited bank cross-guarantees between certain group companies. The net amount due to the bank at year-end was £nil (2021: £nil).

The Group had minimum lease payments under non-cancellable operating leases as set out below:

	Land & buildings		Other	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
<i>Operating leases which expire:</i>				
Within one year	1,191	640	1,958	1,372
Between two and five years	3,619	1,484	2,751	1,565
After five years	500	163	-	-
	<u>5,310</u>	<u>2,287</u>	<u>4,709</u>	<u>2,937</u>

**XYLEM WATER HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**23. Financial commitments (continued)**

The Group had obligations under finance leases as set out below:

	2022 £'000	2021 £'000
<i>Net obligation payable:</i>		
Within one year (note 17)	9	12
Between two and five years (note 18)	42	-
	<u>51</u>	<u>12</u>

**24. Post balance sheet events**

The Xylem UK Pension Plan (XUPP) was fully bought out on 30 September 2022 when all benefits were secured with Rothesay Life Plc and were removed from the Group's balance sheet at that date. The scheme was not fully wound up until 14 November 2023.

***Bellingham & Stanley Limited***

On 31 January 2023, Xylem announced its intention to move the production of Bellingham & Stanley Limited's laboratory refractometry and polarimetry products to its Weilheim, German facility. Order entry and distribution for customers outside the UK has now fully transitioned to Weilheim, while UK customers continue to be served within the UK but under Xylem Water Solutions UK Limited.

On 28 October 2023, Bellingham & Stanley Limited sold some of its business and assets to Xylem Analytics Germany GmbH for £473k in exchange for cash. On the same day, Bellingham & Stanley Limited transferred its sales and service operations to Xylem Water Solutions UK Limited in exchange for cash of £7,755k.

On 14 November 2023, Bellingham and Stanley Limited distributed all its remaining assets following a capital reduction to £1 via an interim dividend paid of £7,727k and final dividend payable of £7,755k). The final dividend is still outstanding.

***Water Process Limited***

On 31 October 2023, Water Process Limited distributed its remaining assets via a dividend of £27,242k after a capital reduction to £1 which took place on 27 October 2023.

***Godwin Holdings Limited***

On 2 October 2023, Godwin Holdings Limited transferred its entire ownership in the ordinary share capital of Xylem Dewatering Solutions UK Limited to Xylem Water Holdings Limited.

***Arrow Rentals Limited***

On 1 November 2023, Arrow Rentals Limited sold its 26% ownership in Xylem Water Solutions Ireland Limited to Xylem Swiss 1 (a fellow group company) for €830k in exchange for a loan note. On the same day, Arrow Rentals Limited distributed all its assets via a dividend of €830k to B S Pumps Ltd. Thereafter, BS Pumps Limited sold its interests in Arrow Rentals Limited to Xylem Water Solutions Ireland Limited (a fellow group company) for €69k in exchange for a loan note. Xylem Water Solutions Ireland Limited then absorbed Arrow Rentals Limited under the Irish domestic merger regime.

***BS Pumps Limited***

On 1 November 2023, BS Pumps Limited distributed all its assets via a dividend of €899k to Xylem Water Solutions UK Limited.

**XYLEM WATER HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**24. Post balance sheet events (continued)**

***Xylem Water Holdings Limited***

On 26 September 2023, Sensus Metering Systems (LuxCo 3) S.à.r.l. (a fellow group company) transferred the shares of Sensus (UK Holdings) Limited (a fellow group company) to Xylem Water Holdings Limited for a consideration of £105,557k in exchange for cash.

**25. Financial Instruments**

The carrying values of the Group financial assets and liabilities are summarised by category below:

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Financial assets measured at amortised cost</b>		
Cash	3,942	3,613
Trade debtors (note 16)	33,572	34,212
Amounts due from parent company (note 16)	1	1
Amounts due from other group companies:		
- Interest bearing (note 16)	75,959	69,910
- Non-interest bearing (note 16)	13,813	20,089
Other debtors	2,510	-
	<b>129,797</b>	<b>127,825</b>
	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Financial liabilities measured at amortised cost</b>		
Obligations under finance leases (note 17)	9	12
Trade creditors (note 17)	11,251	9,412
Amounts due to other group companies:		
- Interest bearing (note 17)	1,304	75,195
- Non-interest bearing (note 17)	28,363	26,027
Other creditors	794	948
Amounts to other group companies (note 18)	119,045	45,045
Obligations under finance leases (note 18)	42	-
	<b>160,808</b>	<b>156,639</b>

The Group's income, expense, gains and losses in respect of financial instruments are summarised below:

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Interest income/(expense)</b>		
Total interest income for financial assets at amortised cost (note 9)	-	4
Total interest expense for financial liabilities at amortised cost (note 10)	(3,481)	(3,828)

**XYLEM WATER HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**26. Share-based payments**

The UK Group has no liabilities or provisions relating to share-based payments since they are issued upon exercise by Xylem Inc.

**Stock Option Grants**

The options are awarded with a contractual term of ten years and generally vest over a three-year period and are exercisable within the contractual term, except in certain instances of death, retirement or disability. The exercise price per share is the fair market value of the underlying common stock on the date each option is granted.

**Restricted Stock Unit Grants**

Restricted shares granted to employees in 2022 vest over a three-year period. Restricted shares granted to employees prior to 2022 generally become fully vested upon the third anniversary of the date of grant. Prior to the time a restricted share becomes fully vested, the awardees cannot transfer, pledge, hypothecate or encumber such shares. Prior to the time a restricted share is fully vested, the awardees do not have certain rights of a stockholder, such as the right to vote and receive dividends; however, dividends accrue during the vesting period and are paid upon vesting. If an employee leaves prior to vesting, whether through resignation or termination, the restricted stock unit and related accrued dividends are forfeited. If an employee retires, a pro rata portion of the restricted stock unit may vest in accordance with the terms of the grant agreements.

**Performance Share Units**

Performance share units granted under the long-term incentive plan vest based upon performance by the Group over a three-year period against targets approved by the compensation committee. For the performance periods, the performance share units were granted at a target of 100% with actual pay out contingent upon the achievement of a pre-set, three-year adjusted Return on Invested Capital (ROIC) and cumulative adjusted net income performance target for ROIC performance share units and a relative total shareholder return (TSR) performance for TSR performance share units.

**27. Related party transactions**

In accordance with the exemption in FRS 102 section 33, related party transactions with other group companies which are owned 100% by Xylem Water Holdings Limited have not been disclosed.

**Other related party transactions**

There are no key management personnel other than the directors.

**28. Ultimate controlling party**

As of 31 December 2022, Xylem Luxembourg 1 S.à.r.l. is the immediate parent company and is registered in Luxembourg. The previous immediate parent company, Xylem Industries S.à.r.l., transferred beneficial ownership of this Company to Xylem Luxembourg 1 S.à.r.l. in November 2022.

The ultimate holding company and controlling party is Xylem Inc., a company incorporated in the United States of America.

The largest and smallest group in which these financial statements are consolidated is that of the ultimate holding company, Xylem Inc. The financial statements of that company are available from its registered office at 301 Water Street SE, Washington, DC 20003, USA.

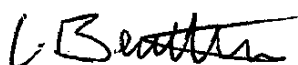
**XYLEM WATER HOLDINGS LIMITED**  
**COMPANY BALANCE SHEET**  
**AS AT 31 DECEMBER 2022**

	Notes	2022 £'000	2021 £'000
<b>Fixed assets</b>			
Investments	5	53,779	53,779
<b>Current assets</b>			
Debtors	6	3,790	3,514
Creditors: amounts falling due within one year	7	(20,822)	(48,711)
Net current liabilities		(17,032)	(45,197)
<b>Total assets less current liabilities</b>		<b>36,747</b>	<b>8,582</b>
<b>Creditors: amounts falling due after more than one year</b>	8	<b>(75,045)</b>	<b>(45,045)</b>
<b>Net liabilities</b>		<b>(38,298)</b>	<b>(36,463)</b>
<b>Capital and reserves</b>			
Called up share capital	9	2	2
Share premium account	9	271,999	271,999
Profit and loss account	9	(310,299)	(308,464)
<b>Shareholders' deficit</b>		<b>(38,298)</b>	<b>(36,463)</b>

For the financial year ended 31 December 2022 the Company reported a loss of £1,835k (2021: loss of £2,498k).

Notes 1 to 11 on pages 61 to 68 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 20 December 2023 and are signed on its behalf by:



**L J Bentley**  
Director

**XYLEM WATER HOLDINGS LIMITED**  
**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

	<b>Called up share capital £'000</b>	<b>Share premium account £'000</b>	<b>Profit and loss account £'000</b>	<b>Total £'000</b>
<b>Balance at 1 January 2021</b>	2	271,999	(305,966)	(33,965)
Loss for the financial year	-	-	(2,498)	(2,498)
<b>Balance at 31 December 2021</b>	<u>2</u>	<u>271,999</u>	<u>(308,464)</u>	<u>(36,463)</u>

	<b>Called up share capital £'000</b>	<b>Share premium account £'000</b>	<b>Profit and loss account £'000</b>	<b>Total £'000</b>
<b>Balance at 1 January 2022</b>	2	271,999	(308,464)	(36,463)
Loss for the financial year	-	-	(1,835)	(1,835)
<b>Balance at 31 December 2022</b>	<u>2</u>	<u>271,999</u>	<u>(310,299)</u>	<u>(38,298)</u>

Notes 1 to 11 on pages 61 to 68 form an integral part of these financial statements.

**XYLEM WATER HOLDINGS LIMITED**  
**NOTES TO THE COMPANY FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**1. Significant accounting policies**

**Company information**

Xylem Water Holdings Limited ("the Company") is a private company limited by shares domiciled and incorporated in England and Wales. The registered office is at Private Road No 1, Colwick Industrial Estate, Nottingham, United Kingdom, NG4 2AN. The Company's principal activity is to act as a holding company for a group of companies which are involved in the water industry.

**Basis of preparation**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 under the historical cost convention.

The financial statements are presented in sterling which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest whole £1,000 except where otherwise indicated.

**Consolidated financial statements**

These consolidated financial statements also include this entity. The financial statements of the Company are also included in the financial statements of Xylem Inc. The consolidated financial statements of Xylem Inc. are available from its registered office at 301 Water Street SE, Washington, DC 20003, USA.

**Reduced disclosures**

In accordance with FRS 102, the Company has taken advantage of the exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares
- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures
- Section 12 'Other Financial Instruments' – Disclosure exemptions relating to financial instruments
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

**Going concern**

The directors are aware that there will always be an element of economic uncertainty around making a going concern assessment of the Company. However, on 16 February 2023, the directors received a letter of support from Xylem Inc., the ultimate parent company that it will continue to provide financial support in order for the Company to meet its financial obligations for a minimum of twelve months from the date these financial statements are approved. The directors are satisfied that the letter of support is sufficient to determine that the loan and accrued interest the Company owes to Xylem Europe GmbH. will not be recalled in the next 12 months from the date of signing the accounts. As a result, the directors consider it appropriate to continue to adopt the going concern basis in preparing these financial statements.

**Borrowing costs**

The costs of borrowing on interest bearing loans are recognised in the profit and loss account on an accruals basis. Interest is calculated using the effective interest rates determined by the prevailing market interest rates.

The Company has applied the following amendments to FRS 102 issued by the FRC for the first time during the prior year. The amendments issued by the FRC in December 2020. The amendments enable the entity to reflect the effects of transitioning from LIBOR to SONIA without giving rise to accounting impacts that would not provide useful information to users of financial statements. The Company is exposed to SONIA in its intercompany loan balances.

**XYLEM WATER HOLDINGS LIMITED**  
**NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**1. Significant accounting policies**

**Investments**

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in the profit and loss account.

A subsidiary is an entity controlled by the Company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

**Impairment of investments**

At each reporting end date, the company reviews the carrying amounts of its investments to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to dispose and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than the carrying amount, the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit and loss account.

**Financial assets**

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial assets are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument.

**Basic financial assets**

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

**Other financial assets**

Financial assets classified as other financial assets are stated at fair value with any gains or losses arising on re-measurement recognised in the profit and loss account. The net gain or loss recognised in the profit and loss account includes any dividend or interest earned on the financial asset

**Impairment of financial assets**

Financial assets, other than those held at fair value through the profit and loss account, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in the profit and loss account.

**De-recognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.



**XYLEM WATER HOLDINGS LIMITED**  
**NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**1. Significant accounting policies**

**Financial liabilities**

Financial liabilities are classified as either basic or other financial liabilities.

**Basic financial liabilities**

Basic financial liabilities are initially measured at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

**Other financial liabilities**

Financial liabilities classified as other financial liabilities are stated at fair value with any gains or losses arising on re-measurement recognised in the profit and loss account.

**De-recognition of financial liabilities**

Financial liabilities are derecognised when, and only when, the Company's obligations are discharged, cancelled, or they expire.

**Taxation**

The tax expense represents the sum of the current tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

**Foreign exchange**

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

**XYLEM WATER HOLDINGS LIMITED**  
**NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**2. Critical accounting estimates and judgements**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

There are not considered to be any critical accounting estimates or judgements.

**3. Loss for the year**

As permitted by s408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent company. The loss attributable to the Company is disclosed in the footnote of the company's balance sheet.

**4. Employees and directors' remuneration**

There were no employees of the Company in the year (2021: nil).

During the year and preceding year, the directors' received remuneration from Xylem Water Services Limited, a fellow group company within the UK. No remuneration has been charged to the profit and loss account in respect of their services to the Company in either years being reported, since it is not practical to allocate.

**5. Investments in subsidiaries**

	<b>£'000</b>
<b>Cost</b>	
At 1 January 2022 and at 31 December 2022	312,327
<b>Provision for Impairment</b>	
At 1 January 2022 and at 31 December 2022	258,548
<b>Net book value</b>	
At 31 December 2022	53,779
At 31 December 2021	53,779

**XYLEM WATER HOLDINGS LIMITED**  
**NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**5. Investments in subsidiaries (continued)**

**a) Directly owned by the Company:**

<i>name of company</i>	<i>Class of Share-holding</i>	<i>Proportion of nominal value held directly</i>	<i>Nature of business</i>	<i>Country of incorporation</i>	<i>Registered office</i>
Xylem Water Solutions UK Holdings Ltd*	Ordinary	100%	Holding company	England & Wales	Private Road 1 Colwick Nottingham Nottinghamshire NG4 2AN
Pension Trustee Management Ltd**	Ordinary	100%	Dormant	England & Wales	Private Road 1 Colwick Nottingham Nottinghamshire NG4 2AN
Bellingham & Stanley Ltd*	Ordinary	100%	Fluid Tech	England & Wales	Private Road 1 Colwick Nottingham Nottinghamshire NG4 2AN
Lowara UK Ltd**	Ordinary	100%	Dormant	England & Wales	Private Road 1 Colwick Nottingham Nottinghamshire NG4 2AN
Godwin Holdings Ltd**	Ordinary	100%	Dormant	England & Wales	Quenington Fairford Cirencester Gloucestershire GL7 5BX
Xylem Water Services Ltd*	Ordinary	100%	Head Office	England & Wales	Private Road 1 Colwick Nottingham Nottinghamshire NG4 2AN
Xylem IP UK S.à.r.l.	Ordinary	50%	Holding company	Luxembourg	11 Breedewues L-1259 Senningerberg Luxembourg

\* Exempt from audit by virtue of s479A of Companies Act 2006 as Xylem Water Holdings Limited provided the required guarantee.

\*\* Exempt from preparing accounts for a dormant subsidiary by virtue of s394A-C and exempt from filing accounts for a dormant subsidiary by virtue of s448A-C.

**XYLEM WATER HOLDINGS LIMITED**  
**NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**5. Investments In subsidiaries (continued)**

**b) Indirectly owned by the Company:**

<i>Name of Company</i>	<i>Class of Share-holding</i>	<i>Proportion of nominal value held directly</i>	<i>Nature of business</i>	<i>Country of Incorporation</i>	<i>Registered office</i>
Xylem Water Solutions UK Ltd*	Ordinary	100%	Fluid Tech	England & Wales	Private Road 1 Colwick Nottingham Nottinghamshire NG4 2AN
Water Process Ltd*	Ordinary	100%	Fluid Tech	England & Wales	Private Road 1 Colwick Nottingham Nottinghamshire NG4 2AN
Xylem Water Solutions Rugby Ltd*	Ordinary	100%	Fluid Tech	England & Wales	Private Road 1 Colwick Nottingham Nottinghamshire NG4 2AN
Xylem Dewatering Solutions UK Ltd*	Ordinary	100%	Fluid Tech	England & Wales	Quenington Fairford Cirencester Gloucestershire GL7 5BX
BS Pumps Ltd**	Ordinary	100%	Dormant	Northern Ireland	Hydepark Commercial Centre Newtownabbey County Antrim BT36 4PY
Arrow Rentals Ltd	Ordinary	100%	Dormant	Ireland	50 Broomhill Close Airton Road Tallaght Dublin 24
Xylem Water Solutions Ireland Ltd***	Ordinary	26%	Fluid Tech	Ireland	50 Broomhill Close Airton Road Tallaght Dublin 24

\* Exempt from audit by virtue of s479A of Companies Act 2006 as Xylem Water Holdings Limited provided the required guarantee.

\*\* Exempt from preparing accounts for a dormant subsidiary by virtue of s394A-C and exempt from filing accounts for a dormant subsidiary by virtue of s448A-C.

\*\*\* The value of the investment is valued at EnI since it has been fully impaired.

**XYLEM WATER HOLDINGS LIMITED**  
**NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**6. Debtors: amounts due within one year**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Amounts owed by parent company	1	1
Amounts owed by subsidiaries	3,789	3,513
	<u>3,790</u>	<u>3,514</u>

In the current year group relief has been allocated to the relevant group company, and now included in Amounts owed by direct subsidiaries. Amounts due from the parent company and subsidiaries are unsecured, non-interest bearing and receivable on demand.

**7. Creditors: amounts falling due within one year**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Amounts owed to subsidiaries	10,031	10,257
Amounts owed to other group companies:		
- Non-interest bearing	10,791	8,432
- Interest bearing	-	30,000
Other creditors	-	22
	<u>20,822</u>	<u>48,711</u>

Loan interest charged on any short-term cash pool balances is calculated at European Central Bank rate plus 0.5%, equating to an average of 2.32% (2021: 1.59%) for GBP. Amounts owed to subsidiaries and other group companies are unsecured and repayable on demand.

In the prior year there was a further loan from Xylem Europe GmbH of £30m in which interest was charged at a variable rate of 1% SONIA with maturity scheduled for 31 March 2022. During 2022, the maturity date was extended to 31 March 2027, therefore this loan is now reclassified within Creditors: amounts falling due after more than one year.

**8. Creditors: amounts falling due after more than one year**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Amounts owed to other group companies	<u>75,045</u>	<u>45,045</u>

Interest is charged on loan 1 which has a balance outstanding of £15m (2021: £15m) at a fixed rate of 6.15% (2021: 6.15%) and on loan 2 which has a balance outstanding of £30m (2021: £30m) at a fixed rate of 5.97% (2021: 5.97%). Both loans are repayable to Xylem Europe GmbH in 2031.

There is a further loan from Xylem Europe GmbH of £30m in which interest is charged at a variable rate of 1% SONIA with maturity scheduled for 31 March 2027 at the balance sheet date. This loan was previously classified within Creditors: amounts falling due within one year since the maturity date was extended during 2022 from 31 March 2022.

**XYLEM WATER HOLDINGS LIMITED**

**NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

**9. Capital and reserves**

**Called up share capital**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<i>Allotted, called-up and fully paid</i>		
<i>2,101 ordinary shares of £1 each</i>	<u>2</u>	<u>2</u>

The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

**Share premium account**

	<b>£'000</b>
At 1 January 2022 and at 31 December 2022	<u>271,999</u>

The share premium account represents the consideration received for shares issued above their nominal value net of transaction costs.

**Profit and loss account**

The cumulative profit and loss, net of distributions to the owners of the Company.

**10. Related party transactions**

In accordance with the exemption in FRS 102 section 33, related party transactions with other group companies which are 100% owned by the Company have not been disclosed.

**11. Ultimate controlling party**

As of 31 December 2022, Xylem Luxembourg 1 S.à.r.l. is the immediate parent company and is registered in Luxembourg. The previous Immediate parent company, Xylem Industries S.à.r.l., transferred beneficial ownership of this Company to Xylem Luxembourg 1 S.à.r.l. on 10 November 2022.

The ultimate holding company and controlling party is Xylem Inc., a company incorporated in the United States of America.

The smallest group in which these financial statements are consolidated is this Company and its subsidiaries.

The largest group in which these financial statements are consolidated is that of the ultimate holding company, Xylem Inc. The financial statements of that company are available from its registered office at 301 Water Street SE, Washington, DC 20003, USA.