

Company Registration No. 00140250

Bellingham & Stanley Limited

Annual Report and Financial Statements

31 December 2012

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Bellingham & Stanley Limited

Annual report and financial statements 2012

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Bellingham & Stanley Limited

Annual report and financial statements 2012

Officers and professional advisers

Directors

D Knight (Resigned 23rd May 2013)
M Banks
C McIntire (Resigned 23rd May 2013)
A Bertrand (Appointed 8th October 2012)
S Donnelly (Appointed 23rd May 2013)
R Roehrig (Appointed 23rd May 2013)

Company secretary

L Frawley (Appointed 8th October 2012)

Registered office

c/o Water Process Ltd
Jays Close
Viables Estate
Basingstoke
Hants
RG22 4BA

Bankers

National Westminster Bank plc
PO Box 34
15 Bishopsgate
London
EC2P 2AP

Solicitors

Freshfields Bruckhaus Deringer
65 Fleet Street
London
EC4Y 1HS

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
Southampton,
United Kingdom

Bellingham & Stanley Limited

Directors' report

For the year ended 31 December 2012

The directors present their annual report on the affairs of the company, together with the financial statements and independent auditor's report for the year ended 31 December 2012

Business review and principal activity

The principal activity of the company is the manufacture of optical and electro-optical refractometers

Xylem is the name for all of the water related businesses, and trades on the New York Stock Exchange supplying highly engineered solutions in the movement, distribution, treatment and analysis of water

Bellingham & Stanley Limited is part of the Xylem Analytics Value Centre, and is positioned within the UK Xylem structure

2012 was a very difficult year in which the effects of the continuing financial crisis within the banking sector affected all of the major world economies. Our plans for continuing the growth achieved in 2011 throughout 2012 were severely affected, and as a result turnover fell by 2.3%, returning a disappointing performance for the year

The company continued its disciplined process of strict operating cost control and cost reduction through the year restricting direct material increases to 2.1%, and holding OPEX below planned budget resulting in an EBIT of 18.4%

The highlights in the year were the completion and shipment of a UK customer order for £178k, and the receipt of a US customer order via Bellingham & Stanley Incorporated worth £222k, the latter due for shipment in the first quarter of 2013. Sales of the OPT1 digital hand held refractometer continued to grow throughout 2012, and will be the focus of effort with the Xylem distribution channels in 2013. Some excellent development work on the replacement display unit for our main instrument ranges has both improved the reliability of the products reducing warranty complaints, and provided a platform to introduce a full windows compatible function facility with improved communications. Our plan is to introduce this in 2014 as part of the RFM 300 and ADP 400 range enhancements. Coupled with low CAPEX improvements to the visual appearance of the housing designs the changes will represent a complete facelift for these product ranges

Xylem's Strategy Plan of vertical market segments, in particular Food and Beverage and the creation of the AMT (Applied Measurement Technology) group of Analytics products, alongside focused regional and country sales teams will provide a significant opportunity to present and grow B+S products in all regions of the World

In summary 2012 was a difficult year in which the uncertainty of the financial institutions impacted all markets and regions around the world. By working hard, controlling our costs, and listening to the needs of our customers we have managed to limit the effects of the downturn on our business. Looking forward we will strive to continually improve both our products and service to our customers, and seek out any and all opportunities to grow our business throughout and beyond 2013

Cash flow risk

The company's activities expose it primarily to the financial risks of changes in foreign currency rates. The company 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

Credit risk

The company's principal financial assets are bank and trade and inter-company receivables. 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

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

Price risk

The company is exposed to commodity price risk. The company does not manage its exposure to commodity price risk due to cost benefit considerations

Bellingham & Stanley Limited

Directors' report (continued) For the year ended 31 December 2012

Supplier payment policy

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the company at 31 December 2012 were equivalent to 35 days (2011: 34 days) purchases, based on the average amount invoiced by suppliers during the year.

Environment

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

There are very stringent Environmental Health and Safety guidelines used throughout the company and standards are frequently reviewed through audits.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out above.

The directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries and considering forecasts, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Results and dividends

The directors are satisfied with the results for the year which are set out on page 7. The profit before tax for the financial year was £466,000 (2011: £892,000). The directors expect the results to be stable in the coming year. The directors do not recommend the payment of a dividend (2011: nil).

Directors and their interests

The directors who served during and subsequent to the year are set out on page 1.

Employee consultation

The company is firmly committed to continue to secure the full co-operation and involvement of its employees in the success of the business.

This is achieved by communication and consultation with employees and with representatives, where appropriate, at the units where they work. The methods include briefing and communication groups, employee information meetings, consultative committees, company notice boards and company newspapers. These newspapers enjoy an independent editorial policy.

Disabled employees

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

Auditor

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Bellingham & Stanley Limited

Directors' report (continued) For the year ended 31 December 2012

Disclosure of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that

- (a) so far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware, and
- (b) the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company'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

Approved by the Board and signed on its behalf by

A large, stylized handwritten signature in black ink, appearing to be 'M Banks', is written over the text 'Approved by the Board and signed on its behalf by'.

M Banks
Director

11th Sept 2013

Bellingham & Stanley Limited

Directors' responsibilities statement

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). 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Bellingham & Stanley Limited

We have audited the financial statements of Bellingham & Stanley Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Tobias Wright FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Southampton, United Kingdom

17 September 2013

Bellingham & Stanley Limited

Profit and loss account For the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Turnover	2	3,574	3,659
Cost of sales	3	(1,839)	(1,740)
Gross profit	3	1,735	1,919
Other operating expenses	3	(1,280)	(1,043)
Operating profit		455	876
Interest receivable		11	16
Profit on ordinary activities before taxation	4	466	892
Tax on profit on ordinary activities	7	(140)	(195)
Profit for the financial year		326	697

There were no recognised gains and losses other than the result for each year. Accordingly, no separate statement of total recognised gains and losses has been presented. All results arose from continuing operations of the company.

Bellingham & Stanley Limited

Balance sheet At 31 December 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Tangible assets	8	341	345
		<u>341</u>	<u>345</u>
Current assets			
Stocks	9	522	512
Debtors due within one year	10	5,664	5,116
Cash at bank and in hand		4	159
		<u>6,190</u>	<u>5,787</u>
Creditors: Amounts falling due within one year	11	(644)	(573)
Net current assets		<u>5,546</u>	<u>5,214</u>
Total assets less current liabilities		<u>5,887</u>	<u>5,559</u>
Provisions for liabilities	12	(18)	(16)
Net assets		<u><u>5,869</u></u>	<u><u>5,543</u></u>
Capital and reserves			
Called-up share capital	14	46	46
Profit and loss account	15	5,823	5,497
Shareholders' funds	16	<u><u>5,869</u></u>	<u><u>5,543</u></u>

The financial statements of Bellingham & Stanley Limited (registered number 00140250) were approved by the board of directors and authorised for issue on 11th Sept 2013

They were signed on its behalf by

M Banks
Director

11th Sept 2013

Bellingham & Stanley Limited

Notes to the financial statements For the year ended 31 December 2012

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year, except as stated below.

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable United Kingdom accounting standards.

Going concern

The financial statements have been prepared under the going concern basis as discussed on page 3.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Where sales are made revenue is recognised when contractual obligations have been completed.

Research and development

All research and development expenses are charged to the profit and loss account as incurred (see note 3).

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

The UK Government announced on 20th March 2013 that the corporation tax rate would reduce to 21% and 20% for the financial years commencing 1st April 2014 and 1st April 2015 respectively. The effects of the announced changes are not reflected in the financial statements for the year ended 31 December 2012 as they were not enacted at the balance sheet date.

Bellingham & Stanley Limited

Notes to the financial statements For the year ended 31 December 2012

1. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and provisions for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at annual rates calculated to write off the cost of each asset over its expected useful life as follows:

Freehold buildings	2% on cost
Freehold improvements	5% on cost
Plant and machinery	10% or 20% on cost or written down value
Computer equipment	20% on cost
Motor vehicles	25% on written down value
Fixtures and fittings	10% on cost

Stocks

Stocks are stated at the lower of cost (on a weighted average purchase price basis) and net realisable value. Cost includes all direct costs incurred in bringing stocks to their present state and location, and an appropriate proportion of manufacturing overheads. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Warranties

Warranty provisions are included in provisions for liabilities.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Translation differences are accounted for in the profit and loss account.

Pension costs

The Company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the scheme rules.

Leases

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Cash flow statement

The directors have taken advantage of the exemptions in Financial Reporting Standard No. 1 "Cash flow statements" not to produce a cash flow statement because the publicly available accounts of its ultimate parent company include a cash flow statement which include the cash flows of Bellingham & Stanley Limited.

Bellingham & Stanley Limited

Notes to the financial statements For the year ended 31 December 2012

2. Turnover

The company's activities comprise one class of business, being the company's principal activity. The geographical analysis of the company's turnover by destination is as follows:

	2012 £'000	2011 £'000
United Kingdom	959	740
Rest of European Union	896	1,103
Other	1,719	1,816
	<u>3,574</u>	<u>3,659</u>

3. Cost of sales, gross profit and other operating expenses

	2012 £'000	2011 £'000
Cost of sales	<u>1,839</u>	<u>1,740</u>
Gross profit	<u>1,735</u>	<u>1,919</u>
Distribution costs	339	262
Research and development	236	186
Administrative expenses	<u>705</u>	<u>595</u>
Other operating expenses	<u>1,280</u>	<u>1,043</u>

4. Operating profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2012 £'000	2011 £'000
Depreciation – owned fixed assets	51	52
Loss/(Gain) on sale of tangible fixed assets	1	(2)
Operating lease rentals		
- plant and machinery	33	26
Loss on foreign exchange	33	21
Fees payable to the company's auditor for the audit of the company's annual accounts	15	14
Fees payable to the company's auditor for other services	4	4

Bellingham & Stanley Limited

Notes to the financial statements For the year ended 31 December 2012

5. Staff costs

The average monthly number of employees (including directors) were

	2012	2011
Management	1	1
Production	24	24
Administration and sales	14	13
Research and development	3	3
	<u>42</u>	<u>41</u>

Their aggregate remuneration comprised

	2012 £'000	2011 £'000
Wages and salaries	975	1,021
Social security costs	98	103
Other pension costs	174	27
	<u>1,247</u>	<u>1,151</u>

6. Directors' remuneration

	2012 £'000	2011 £'000
Emoluments	90	85
Company contributions to money purchase pension scheme	19	8
	<u>109</u>	<u>93</u>

The number of directors who:

	2012 No.	2011 No.
Are members of a money purchase pension scheme	<u>2</u>	<u>1</u>

Remuneration of the highest paid director

	2012 £'000	2011 £'000
Emoluments	82	85
Company contributions to money purchase scheme	18	8
	<u>100</u>	<u>93</u>

Two directors are remunerated directly by Bellingham & Stanley Limited

The other two directors are remunerated by other group companies and it is not practicable to separate out their remuneration

Bellingham & Stanley Limited

Notes to the financial statements For the year ended 31 December 2012

7. Taxation

The tax charge comprises

	2012 £'000	2011 £'000
Current tax		
UK corporation tax	118	230
Adjustment in respect of prior years	32	6
Total current tax charge	<u>150</u>	<u>236</u>
Deferred tax		
Origination and reversal of timing differences – current year	(7)	(41)
Origination and reversal of timing differences – prior year	(3)	-
Deferred tax credit	<u>(10)</u>	<u>(41)</u>
Total charge	<u>140</u>	<u>195</u>

	2012 £'000	2011 £'000
Profit on ordinary activities before tax	<u>466</u>	<u>892</u>
Corporation tax charge at standard UK corporation tax rate of 24.5 % (2011: 26.5%)	114	236
Effects of		
Prior Year Adjustments	32	6
Expenses not deductible for tax purposes	5	1
Additional allowance for R&D expenditure	(12)	(10)
Other Timing Differences	6	(5)
Capital allowances in excess of depreciation and vice versa	5	8
Current tax charge for the year	<u>150</u>	<u>236</u>

Bellingham & Stanley Limited

Notes to the financial statements For the year ended 31 December 2012

8. Tangible assets

	Motor Vehicles £'000	Plant & machinery £'000	Computer equipment £'000	Fixtures & fittings £'000	Freehold land & buildings £'000	Total £'000
Cost						
At 1 January 2012	10	1,042	174	97	554	1,877
Additions	-	18	8	21	-	47
Disposals	-	(34)	(56)	(14)	-	(104)
At 31 December 2012	<u>10</u>	<u>1,026</u>	<u>126</u>	<u>104</u>	<u>554</u>	<u>1,820</u>
Depreciation						
At 1 January 2012	8	912	169	91	352	1,532
Charge for the year	-	27	4	3	17	51
Disposals	-	(34)	(56)	(14)	-	(104)
At 31 December 2012	<u>8</u>	<u>905</u>	<u>117</u>	<u>80</u>	<u>369</u>	<u>1,479</u>
Net book value						
At 31 December 2012	<u>2</u>	<u>121</u>	<u>9</u>	<u>24</u>	<u>185</u>	<u>341</u>
At 31 December 2011	<u>2</u>	<u>130</u>	<u>5</u>	<u>6</u>	<u>202</u>	<u>345</u>

Freehold land and buildings includes cost of land £4k (2011 £4k) not being depreciated

Bellingham & Stanley Limited

Notes to the financial statements For the year ended 31 December 2012

9. Stock

	2012 £'000	2011 £'000
Raw materials and consumables	20	17
Work in progress	430	431
Finished goods	72	64
	<u>522</u>	<u>512</u>

The directors consider that the replacement value of stock does not materially differ from the book value shown

10. Debtors

	2012 £'000	2011 £'000
Amounts falling due within one year		
Trade debtors	522	517
Amounts owed by fellow group undertakings	5,067	4,534
Prepayments and accrued income	21	20
VAT repayable	20	21
Deferred Tax Asset (see note 13)	34	24
	<u>5,664</u>	<u>5,116</u>

11. Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Trade creditors	145	171
Amounts owed to fellow group undertakings	347	239
Corporation tax	29	85
Accruals and deferred income	123	78
	<u>644</u>	<u>573</u>

12. Provisions for liabilities

	2012 £'000	2011 £'000
Warranty provisions	18	16
	<u>18</u>	<u>16</u>

Bellingham & Stanley Limited

Notes to the financial statements For the year ended 31 December 2012

13. Deferred taxation

	2012 £'000	2011 £'000
Deferred Taxation		
- Decelerated capital allowances	(34)	(24)
	<u>(34)</u>	<u>(24)</u>

The movement on the deferred tax asset is as follows

	2012 £'000	2011 £'000
At 1 January	(24)	17
Credit to profit and loss account	(10)	(41)
At 31 December	<u>(34)</u>	<u>(24)</u>

There is no unprovided deferred tax liability at the year end. The deferred tax asset has been recognised in full within debtors since, in the opinion of the directors, the amount is fully recoverable.

14. Called-up share capital

	2012 £'000	2011 £'000
<i>Allotted, called-up and fully-paid</i>		
45,745 ordinary shares of £1 each	46	46

15. Profit and loss account

	2012 £'000	2011 £'000
At 1 January	5,497	4,800
Profit for the financial year	326	697
At 31 December	<u>5,823</u>	<u>5,497</u>

16. Reconciliation of movement in shareholder's funds

	2012 £'000	2011 £'000
At 1 January	5,543	4,846
Profit for the financial year	326	697
At 31 December	<u>5,869</u>	<u>5,543</u>

Bellingham & Stanley Limited

Notes to the financial statements For the year ended 31 December 2012

17. Financial commitments

a) Operating lease commitments

Annual commitments for plant and machinery under non-cancellable operating leases are as follows

	2012 £'000	2011 £'000
Expiry date		
within one year	1	-
Between one and two years	20	6
Between two and five years	12	20
	<hr/>	<hr/>
	33	26
	<hr/>	<hr/>

b) Bank guarantees

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 (2011: £nil).

18. Retirement benefit scheme

The company operates a defined contribution retirement benefit scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in independently administered funds. The total cost charged to income of £174k (2011: £27k) represents contributions payable by the company to the fund.

19. Subsequent events

Xylem Group is in the process of reorganizing its European operations in order to create a European hub, using the Company's indirect subsidiary Xylem Europe GmbH that will have responsibility for key strategic and operating decision-making for the Xylem group's European operations. This will allow the Xylem Group to take a more focused market-oriented view of its customers' needs, strengthen its position against the competition, leverage its scale and expertise, better position it for growth, capitalize on the broad portfolio of products and services from across the companies, focus on the best use of its investments and talent, and therefore improve its customers' overall experience. As part of this project, Xylem's European operations are re-aligning into separate dedicated manufacturing, selling and services companies. This will permit the creation of centres of excellence in these key operational areas. The manufacturing entities will operate as contract manufacturers for Xylem Europe GmbH and the sales companies will operate as dedicated distributors for Xylem Europe GmbH. The service companies will act for Xylem Europe GmbH and will provide support services to the manufacturing and sales companies. As part of the same project a Luxembourg based intellectual property centre of excellence and management centre was set-up. They have employed various highly qualified individuals to manage and develop a centralised, synergistic and focused approach to intellectual property across all the business units across Europe.

This re-organisation has been given the title "Project Cascade" and its implementation within the Analytics Value Centre, where Bellingham & Stanley Limited sits is phased through 2014.

Bellingham & Stanley Limited

Notes to the financial statements For the year ended 31 December 2012

20. Parent and ultimate holding company

As at 31 December 2012 the company is a wholly owned subsidiary of Xylem Water Holdings Limited. The ultimate holding company is Xylem Inc.

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 1133 Westchester Avenue, White Plains, NY 10604, USA.

In accordance with the exemption in Financial Reporting Standard 8 par 3(c), related party transactions with other group companies are not disclosed since the consolidated financial statements of the ultimate parent undertaking are available to the public.