

Company Registration No. 00140250

Bellingham & Stanley Limited

Annual Report and Financial Statements

31 December 2016

FRIDAY



A6G0F3M4

A40

29/09/2017

#234

COMPANIES HOUSE

BELLINGHAM & STANLEY LIMITED

CONTENTS

Company information	1
Directors' report	2
Directors' responsibilities statement	5
Independent Auditor's report	6
Statement of income and retained earnings	7
Statement of financial position	8
Notes to the financial statements	9

BELLINGHAM & STANLEY LIMITED

COMPANY INFORMATION

Directors

A Bertrand
S Donnelly
R Roehrig
R Reining
I Thompson

Company secretary

L Frawley

Registered office

c/o Xylem Water Services Ltd
106 Hawley Lane
Farnborough
Hants
GU14 8JE

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
Statutory Auditor
Nottingham
United Kingdom

BELLINGHAM & STANLEY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

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 2016. The directors have taken the small companies exemptions available to them and have not prepared a Strategic Report on the basis that the company is small.

Business review and principal activity

The principal activity of the company is the design, development, manufacture and in-service support of opto-mechanical and digital Refractometers and Polarimeters.

In 2016 R&D project expenditure was 25% of the department's total of which technical support costs were 5% and 20% spent on research and design, namely, the release of refractometers using touch technology, the rationalisation of product ranges so that common parts are used, a research polarimeter for the sugar industry and a patent filed to enhance the polarimeter range. The patent application and other developments were progressed to deliver business growth with further product launches in 2017.

The company also sells and services other Xylem brands: Ebro, SI Analytics and YSI. During 2016 the sales of Ebro and SI Analytics products increased by 76% and 29% respectively. YSI branded products were sold for a full year in 2016 compared with a 3 month period in 2015, and sales increased from £185k to £1.429k.

The directors are also pleased to note an increase of 48% in total service revenue with a significant contribution from the YSI instrument preventative maintenance contracts.

Xylem Inc. is a leading global water technology company with operations in more than 150 countries and trades on the New York Stock Exchange. Xylem Inc. comprises five growth centres – Transport, Treatment, Dewatering, Analytics and Applied Water Systems. These businesses are interconnected, anticipating and reflecting evolving needs and sharing their applications expertise to cover every stage of the water cycle. Bellingham & Stanley Limited is a UK subsidiary of the overall global group and is part of the Xylem Analytics Growth Centre.

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, 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.

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.

BELLINGHAM & STANLEY LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

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, taking into account the challenging trading conditions which prevailed throughout 2016. The profit before tax for the financial year was £267,000 (2015: Loss before tax £89,000). The directors do not recommend the payment of a dividend (2015: nil).

Directors and their interests

The directors who served during and subsequent to the year are set out as shown below.

M Banks (Resigned 26 February 2016)

A Bertrand

S Donnelly

R Roehrig (Resigned 10 August 2017)

R Reining (Appointed 5 February 2016)

I Thompson (Appointed 5 February 2016)

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.

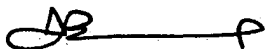
Disclosure of information to auditor

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:



Alexandra Bertrand, FCCA

Director

28 September 2017

BELLINGHAM & STANLEY LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

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 & 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 Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether 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 AUDITOR'S REPORT TO THE MEMBERS OF BELLINGHAM & STANLEY LIMITED

We have audited the financial statements of Bellingham & Stanley Limited for the year ended 31 December 2016 which comprise the Statement of Income and Retained Earnings, Statement of Financial Position and the related notes 1 to 23. 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) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 2016 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 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BELLINGHAM & STANLEY LIMITED

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; or
- the directors were not entitled to take advantage of the small companies exemption in preparing the Directors' Report.

Joanna Waring

Joanna Waring, FCA for and on behalf of Deloitte LLP
Statutory Auditor
Nottingham, United Kingdom

28 September 2017

BELLINGHAM & STANLEY LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £'000	2015 £'000
Turnover	3	5,083	3,569
Cost of sales		(2,949)	(2,074)
Gross profit		2,134	1,495
Other operating expenses	4	(1,878)	(1,598)
Operating profit/(loss)	5	256	(103)
Interest receivable and similar income	8	11	14
Profit/(loss) on activities before taxation		267	(89)
Taxation	9	(62)	(7)
Profit/(loss) for the financial year		205	(96)
Retained earnings at 1 January		6,255	6,351
Retained earnings at 31 December		6,460	6,255

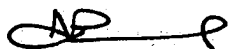
The statement of income and retained earnings has been prepared on the basis that all operations are continuing operations.

There were no recognised gains and losses for either year other than the profit for the period and loss for the prior period as shown above. Accordingly, no Statement of Comprehensive Income has been presented.

BELLINGHAM & STANLEY LIMITED**STATEMENT OF FINANCIAL POSITION****AT 31 DECEMBER 2016**

	Notes	2016 £'000	2015 £'000
Fixed assets			
Intangible assets	10	237	266
Investments	11	1,567	1,567
Tangible assets	12	336	430
		<u>2,140</u>	<u>2,263</u>
Current assets			
Stocks	13	602	517
Debtors	14	6,175	3,978
Cash at bank and in hand		117	1,861
		<u>6,894</u>	<u>6,356</u>
Creditors: amounts falling due within one year	15	<u>(2,508)</u>	<u>(2,298)</u>
Net current assets		<u>4,386</u>	<u>4,058</u>
Total assets less current liabilities		<u>6,526</u>	<u>6,321</u>
Provisions for liabilities	16	<u>(20)</u>	<u>(20)</u>
Net assets		<u>6,506</u>	<u>6,301</u>
Capital and reserves			
Called up share capital	19	46	46
Profit and loss reserves		6,460	6,255
Total equity		<u>6,506</u>	<u>6,301</u>

The financial statements of Bellingham & Stanley Limited (registered number 00140250) were approved by the board of directors and authorised for issue on **28 September 2017**. They were signed on its behalf by:



Alexandra Bertrand, FCCA
Director

BELLINGHAM & STANLEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies

Company information

Bellingham & Stanley Limited ("the company") is a private company limited by shares and registered in England and Wales. The registered office is given on the company information page. The company's principal activity is disclosed in the directors' report.

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 2015, and 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.

Reduced disclosures

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

- The specific elements of Sections 11 & 12 regarding financial instrument disclosures, as listed in Section 1 "Scope".
- 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 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Xylem Inc. The consolidated financial statements of Xylem Inc. are available from its registered office, 1 International Drive, Rye Brook, NY 10573, USA.

Going Concern

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

Consolidated financial statements

The company has taken advantage of the exemption in section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. Consequently, these financial statements present the financial position and financial performance of the company as a single entity.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for sale of goods and services 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.

Sale of professional services

Turnover from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, turnover is recognised only to the extent of the expenses recognised that are recoverable.

BELLINGHAM & STANLEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

Sale of goods

Turnover 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 company 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.

Intangible fixed assets

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible fixed assets are amortised to profit or loss on a straight line basis over their useful lives, as follows:

Software licence fee	20% on cost
----------------------	-------------

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 profit or loss.

Goodwill

Goodwill arose as result of the transfer of the trade and assets of YSI (UK) Limited to Bellingham & Stanley Limited and is the difference between the net book value of the assets transferred and the purchase price of the shares in YSI (UK) Limited paid by Bellingham & Stanley Limited.

Goodwill is being amortised to profit or loss on a straight line basis over its expected useful life, as follows:

Goodwill	10% on cost
----------	-------------

Amortisation is revised prospectively for any significant change in useful life or residual value.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed 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 over its expected useful life, as follows:

Freehold buildings	2% on cost
Freehold improvements	5% on cost
Plant and machinery	10% or 20%
Computer equipment	20% or 33⅓% on cost
Fixtures and fittings	10% on cost

Land and buildings are accounted for separately even when acquired together.

Impairments of fixed assets

At each reporting end date, the company 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 company 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.

BELLINGHAM & STANLEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

Impairments of fixed assets (continued)

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 its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, 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) 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.

Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

Interests in subsidiaries are assessed for impairment at each reporting date. Any impairments losses or reversals of impairment losses are recognised immediately in profit or loss.

Stocks

Stocks are valued at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the weighted average cost basis and for finished goods and work in progress, includes direct material and labour costs and overheads appropriate to the stage of manufacture.

At each reporting date, the company 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 profit or loss.

Reversals of impairment losses are also recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

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 statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into either basic or other financial assets. The classification depends on certain criteria determined at the time of recognition.

BELLINGHAM & STANLEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

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.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, 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 profit or loss.

Derecognition 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.

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.

Derecognition 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 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 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 and deferred tax assets and deferred 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.

BELLINGHAM & STANLEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

Taxation (continued)

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.

Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company 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 profit or loss 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

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases

All leases are operating leases. Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

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.

BELLINGHAM & STANLEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

Foreign exchange (continued)

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.

Research and development

Research and development costs are charged to the profit and loss as they arise.

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.

Critical estimates

Impairment of assets

Financial and non-financial assets are subject to impairment reviews based on whether current or future events and circumstances suggest that their recoverable amount may be less than their carrying value. Recoverable amount is based on the higher of the value in use and fair value less costs to dispose. Value in use is calculated from expected future cash flows using suitable discount rates and includes management assumptions and estimates of future performance. There was no (2016: nil) impairment recognised on the fixed asset investment in the current year (2015: £91,000) (note 11).

Provisions

Provisions have been made for warranties. These provisions are estimates and the actual costs and timing of future cash flows are dependent on future events and market conditions. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made. The carrying amount of provisions will be impacted by changes in the discount rate.

The company doesn't not consider there to be any critical judgements made within the accounts.

3. Turnover

An analysis of the company's turnover by class of business is as follows:

	2016 £'000	2015 £'000
Sale of goods	4,628	3,262
Provision of services	455	307
	<u>5,083</u>	<u>3,569</u>

BELLINGHAM & STANLEY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2016****3. Turnover (continued)**

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

	2016 £'000	2015 £'000
Geographical segments:		
United Kingdom	2,423	1,240
Rest of European Union	1,101	991
Other	1,559	1,338
	<u>5,083</u>	<u>3,569</u>

4. Other operating expenses

	2016 £'000	2015 £'000
Distribution costs	547	396
Administrative expenses	1,331	1,202
	<u>1,878</u>	<u>1,598</u>

5. Operating profit/(loss)

	2015 £'000	2015 £'000
Operating profit/(loss) is stated after charging / (crediting):		
Impairment of fixed asset investment	-	91
Exchange (gains)/losses	(21)	22
Depreciation of owned tangible fixed assets	101	72
Research and development expenditure	245	271
Amortisation of intangible assets	29	8
Fees payable to the company's auditor for the audit of the Company's annual financial statements	16	16
Cost of stock recognised as an expense	1,832	1,100
Stock impairment losses recognised or reversed	(10)	(24)
Operating lease charges	57	43
Loss on disposal of fixed assets	1	-
	<u>1</u>	<u>-</u>

BELLINGHAM & STANLEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

6. Employees

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

	2016 No.	2015 No.
Management	-	1
Production	25	23
Administration and sales	17	13
Research and development	4	4
	<u>46</u>	<u>41</u>

Their aggregate remuneration comprised:

	2016 £'000	2015 £'000
Wages and salaries	1,244	1,092
Social security costs	118	111
Other pension costs	170	157
	<u>1,532</u>	<u>1,360</u>

7. Directors' remuneration

	2016 £'000	2015 £'000
Emoluments	85	149
Company contributions to money purchase pension schemes	17	29
	<u>102</u>	<u>178</u>

The number of directors for whom retirement benefits are accruing under money purchase schemes amounted to 2 (2015 - 2).

Two directors were remunerated directly by Bellingham & Stanley Limited.

The other four directors received remuneration from other Xylem companies where their emoluments are disclosed. No remuneration in respect of their services to the company was charged to the profit and loss account in the current year or prior year and it is not practicable to split out the remuneration relating to this company and others in the group.

BELLINGHAM & STANLEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

8. Interest receivable and similar income

	2016 £'000	2015 £'000
Interest receivable from group companies	10	14
Bank interest receivable	1	-
	<u>11</u>	<u>14</u>

9. Taxation

	2016 £'000	2015 £'000
Current tax		
UK corporation tax	65	-
Adjustments in respect of prior periods	1	-
Total current tax	<u>66</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	(4)	7
Total tax charge	<u>62</u>	<u>7</u>

The charge for the year can be reconciled to the profit/(loss) per the statement of income as follows:

	2016 £'000	2015 £'000
Profit/(loss) before taxation	267	(89)
Expected tax charge based on a corporation tax rate of 20% (2015: 20.25%)	53	(18)
Expenses that are not deductible in determining taxable profit	9	25
Tax expense for the year	<u>62</u>	<u>7</u>

In the Budget on 8 July 2015, the UK Government proposed to reduce the main rate of UK corporation tax to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. These rate changes were substantively enacted in the Finance Bill 2015 on 26 October 2015.

In March 2016 the UK Government announced that the reduction in the statutory rate from 1 April 2020 would be 2%, resulting in a rate of 17%. This further reduction has been substantively enacted at the date of these financial statements.

The closing deferred tax assets and liabilities have therefore been calculated at 17% in accordance with the rates enacted at the balance sheet date.

BELLINGHAM & STANLEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

10. Intangible assets

	Software Licence Fee £'000	Goodwill £'000	Total £'000
Cost			
At 1 January 2016	8	267	275
At 31 December 2016	8	267	275
Amortisation			
At 1 January 2016	3	6	9
Charge for the year	2	27	29
At 31 December 2016	5	33	38
Carrying amount			
At 31 December 2016	3	234	237
At 31 December 2015	5	261	266

The amortisation of the software licence fee is included within administrative expenses.

Goodwill arose as a result of the transfer of the trade and assets of YSI (UK) Limited to Bellingham & Stanley Limited and is the difference between the net book value of the assets transferred and the purchase price of the shares in YSI (UK) Limited paid by Bellingham & Stanley Limited.

Goodwill is being amortised on a straight line basis to profit and loss account over its expected useful life which the directors consider to be ten years.

11. Fixed asset investments

	Investment in Subsidiary £'000
Cost	
At 1 January 2016	1,658
At 31 December 2016	1,658
Provision for impairment	
At 1 January 2016	91
Charge for the year	-
At 31 December 2016	91
Carrying amount	
At 31 December 2016	1,567
At 31 December 2015	1,567

The company has an investment in the following subsidiary undertaking which was acquired on 30 September 2015. The location of the registered office of the subsidiary is c/o Xylem Water Services Ltd, 106 Hawley Lane, Farnborough, Hants GU14 8JE.

Name of undertaking	Class of shareholding	Proportion of nominal value held directly	Nature of business
YSI (UK) Limited	Ordinary	100%	Marketing scientific instruments

BELLINGHAM & STANLEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

12. Tangible fixed assets

	Plant and machinery £'000	Computer equipment £'000	Fixtures and fittings £'000	Freehold land and buildings £'000	Total £'000
Cost					
At 1 January 2016	1,101	177	222	554	2,054
Additions	-	8	-	-	8
Disposals	(11)	(35)	(58)	-	(104)
At 31 December 2016	<u>1,090</u>	<u>150</u>	<u>164</u>	<u>554</u>	<u>1,958</u>
Depreciation					
At 1 January 2016	969	133	103	419	1,624
Charge for the year	48	16	20	17	101
On disposals	(11)	(34)	(58)	-	(103)
At 31 December 2016	<u>1,006</u>	<u>115</u>	<u>65</u>	<u>436</u>	<u>1,622</u>
Carrying amount					
At 31 December 2016	<u>84</u>	<u>35</u>	<u>99</u>	<u>118</u>	<u>336</u>
At 31 December 2015	<u>132</u>	<u>44</u>	<u>119</u>	<u>135</u>	<u>430</u>

Freehold land and buildings includes cost of land £4k (2015: £4k) which is not depreciated.

13. Stocks

	2016 £'000	2015 £'000
Raw materials and consumables	12	11
Work in progress	463	377
Finished goods and goods for resale	127	129
	<u>602</u>	<u>517</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.

14. Debtors

	2016 £'000	2015 £'000
Amounts falling due within one year:		
Trade debtors	553	594
Amounts due from fellow group undertakings	5,542	3,277
Deferred tax asset (note 17)	13	17
VAT repayable	23	41
Prepayments and accrued income	44	49
	<u>6,175</u>	<u>3,978</u>

BELLINGHAM & STANLEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

15. Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	173	174
Amounts due to fellow group undertakings	2,013	1,798
Corporation tax	11	10
Accruals and deferred income	311	316
	<u>2,508</u>	<u>2,298</u>

Amounts due to fellow group undertakings are unsecured, non-interest bearing and repayable on demand.

16. Provisions for liabilities

	2016 £'000	2015 £'000
Warranty provision	<u>20</u>	<u>20</u>
Movements on provisions:		
	2016 £'000	2015 £'000
At 1 January	20	20
Utilised in the year	(11)	(12)
Additional provision in year	11	12
As at 31 December	<u>20</u>	<u>20</u>

Warranty provision

Bellingham & Stanley Limited provides a 24 month warranty for certain instruments as defined on the company's Warranty Statement. The warranty costs for 2016 were £11,000 which equates to 0.22% of turnover. As the directors consider instrument failure, and therefore any claim under warranty is more likely in the 18 months following sale, £20,000 is considered to be an appropriate provision.

17. Deferred taxation

	2016 £'000	2015 £'000
Deferred tax assets:		
Decelerated capital allowances	<u>13</u>	<u>17</u>

The movement on the deferred tax asset is as follows:

	2016 £'000	2015 £'000
At 1 January	17	24
Income statement account movement arising during the year	(4p)	(7)
As at 31 December	<u>13</u>	<u>17</u>

BELLINGHAM & STANLEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

18. Retirement benefits schemes

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 £170k (2015: £157k) represents contributions payable by the company to the fund. There were contributions payable outstanding at the year-end of £15k (2015: £nil).

19. Share capital and reserves

	2016 £'000	2015 £'000
Authorised, allotted, called-up and fully-paid: 45,745 ordinary shares of £1 each	46	46

20. 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 (2015: £nil).

21. Operating lease commitments

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016 £'000	2015 £'000
Within one year	44	47
Between one and five years	28	33
	72	80

22. Related party transactions

In accordance with the exemption in FRS 102 section 33, related party transactions with other wholly owned group companies have not been disclosed.

23. Ultimate holding company and controlling party

As at 31 December 2016 the company is a wholly owned subsidiary of Xylem Water Holdings Limited. The ultimate holding company is Xylem Inc. Xylem Inc. (1 International Drive, Rye Brook, NY 10573, United States, 1-914-323-5700), 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 1 International Drive, Rye Brook, New York, 10573, USA.