

**Bellingham & Stanley Limited**

**Unaudited Annual Report and Financial Statements**

**For the year ended 31 December 2021**



# **BELLINGHAM & STANLEY LIMITED**

## **CONTENTS**

<b>Company information</b>	<b>1</b>
<b>Strategic report</b>	<b>2</b>
<b>Directors' report</b>	<b>6</b>
<b>Profit and loss account</b>	<b>8</b>
<b>Balance sheet</b>	<b>9</b>
<b>Statement of changes in equity</b>	<b>10</b>
<b>Notes to the financial statements</b>	<b>11</b>

# **BELLINGHAM & STANLEY LIMITED**

## **COMPANY INFORMATION**

### **Directors**

A Bertrand  
I Thompson

### **Company secretary**

A Bertrand

### **Registered office**

Bellingham & Stanley Limited  
Xylem  
Longfield Road  
Tunbridge Wells  
Kent  
TN2 3EY

# BELLINGHAM & STANLEY LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their strategic report and the unaudited financial statements for the year ended 31 December 2021. The Company is registered and domiciled in the United Kingdom.

#### 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.

#### Review of business and future developments

The directors are satisfied with the results for the year, which are set out on page 8 and show revenue growth despite continuing challenging trading conditions.

The gross profit percentage has remained stable at 43.9% (2020: 43.8%) on a turnover which increased by 8.9%.

The company continues to sell and service other Xylem brands and during 2021, product sales of these brands remained at 24% (2020: 24%) of total turnover.

During 2021 the Research and Development department engaged in a full program of activities covering new product development, technical support and research.

**New products:** Building on expertise gained since 2013 following the release of our OEM produced ADP600 polarimeter we launched our own in-house version. We integrated our patented Peltier temperature control system as well as a number of other technological improvements that not only enhanced performance but also reduced the instrument cost. We also upgraded our RFM900-T refractometers to incorporate *USP Class VI* certified materials, opening up our opportunity base to pharmaceutical customers wishing to measure in line. With our OEM partner we continued to test and develop our DSG Density Meter for launch in 2022. In addition, significant effort was made in the creation of a private label digital handheld refractometer, based on our OPTi, for a large OEM customer.

**Technical support and Value Engineering:** The effect of supply chain trends caused redirection of R&D efforts to support our purchasing and manufacturing teams whilst simplifying our products and reducing core costs. Day-to-day support continues for all departments within the business but at a reduced demand.

**Research:** As our products become less hardware based and more software oriented, we commenced research into up-to-date Real Time Operation Systems to replace dated systems that limit our forward view. We also have further intellectual property in the form of a patent application in progress.

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.

#### Impact of the Covid-19 pandemic

Given the magnitude and duration of the COVID-19 pandemic and its economic consequences, it has become more difficult to distinguish specific aspects of our operational and financial performance that are most directly related to the pandemic from those more broadly influenced by ongoing macroeconomic, market and industry dynamics that may be, to varying degrees, related to the pandemic and its consequences.

We have experienced and expect to continue experiencing shortages in the supply of raw materials. We have also experienced, and continue to experience, increased inflation, freight and logistics costs, issues with port congestion and delivery delays. To help mitigate the effects of these challenges we continue to enhance our risk management activities. To some extent, we have been able to pass cost increases through to customers. If these shortages and interruptions continue, or if additional interruptions occur, they could have a negative impact on our results of operations.

These supply chain issues have also impacted our delivery times to customers. To some extent, mitigation strategies have alleviated these issues, but our lead times continue to be impacted. We have seen a recovery in demand for our products. The severity, magnitude and duration of the COVID-19 pandemic and its economic consequences are uncertain, and the pandemic's ongoing and future impacts on our business, financial condition, results of operations remain uncertain and difficult to predict.

## BELLINGHAM & STANLEY LIMITED

### STRATEGIC REPORT (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

##### **Impact of the Covid-19 pandemic (continued)**

We continue to assess the evolving nature of the pandemic and its possible implications to our business, employees, supply chain, customers and communities, and to take actions in an effort to mitigate adverse consequences. 2022 to date has experienced growth compared to prior year and product backlog is strong. However, challenges continue around global supply chains, increased freight and raw material costs

##### **Key performance indicators**

The directors believe the following key performance indicators to be the most useful to obtaining a proper understanding of the performance of the business:

	2021	2020
EBITDA % of Turnover	7.0%	7.9%
EBITDA per employee	£8k	£8k

Although turnover increased by 8.9% the decrease in EBITDA is attributable to the increase in sales bonus now calculated on orders received, investment in R&D projects and additional IT costs.

##### **Principal risks and uncertainties**

The principal risks of the Company are defined as cash flow risk, credit risk, price risk and environmental risks. The directors of the Company have reviewed these risks and have outlined below the actions taken to mitigate the potential impact.

##### *COVID-19*

The COVID-19 pandemic and resulting measures taken by the UK Government to contain the virus negatively impacted our business from March 2020. In addition, the macroeconomic uncertainty causes disruption to economic activity and it is unknown what the longer-term impact on our business may be. The scale and duration of the pandemic remain uncertain and while we have seen returning stability, we do expect further impact to our business. The main risks that we see relate to operations and the impact of reduction in the sales due to the level of economic uncertainty for our customers within the industrial and building services markets. We also have the continued additional health and safety measures to protect our people. We will continue to monitor the impact of the COVID-19 pandemic on our financial position and operations and will take steps to actively manage what can be controlled.

##### *Brexit*

The Company trades within the European Union and works closely with other group companies which are based within the European Union. As a result, the Brexit referendum has created potential risks and uncertainties, specifically around the economic landscape within Europe.

We continue to monitor the impacts of Brexit on our supply chain, operations and financial results. The UK Parliament passed the European Union (Future Relationship) Act 2020 on 30 December 2020 which was approved by both parties from 1 January 2021. The new trading relationship between the UK and EU has increased, and will continue to increase, our costs. This has been noticeable on customs administration requirements for the Company which imports and exports across the border with the European Union. Freight costs have increased due to multitude of reasons not exclusive to Brexit but as a contributory factor. Internal costs have increased with the addition of a team skilled in dealing with import and export regulations and uncertainty in Northern Ireland has contributed to an unfavourable market. We have experienced, and may continue to experience, shipping delays given the need for customs inspections and other procedures at the border.

##### *Currency 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.

## **BELLINGHAM & STANLEY LIMITED**

### **STRATEGIC REPORT (CONTINUED)**

#### **FOR THE YEAR ENDED 31 DECEMBER 2021**

##### ***Principal risks and uncertainties (continued)***

###### ***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.

###### ***Environmental risks***

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.

##### **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 Company for the benefit of its members 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.

The Company sells the majority of its products and services to third parties; manufactured products are also sold to other Xylem entities. The Company purchases some of its products from other Xylem entities in Europe and the United States of America. The directors recognise that the Company's own performance is dependent to some extent 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.

The Company 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 regular 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.

Ensuring the customer is at the heart of decision making by the board is key to the success of the Company. Regular meetings are held with our management team 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 some of 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. Key members of our management team regularly visit these suppliers to observe first-hand the production cycle and meet the teams involved in these processes.

## **BELLINGHAM & STANLEY LIMITED**

### **STRATEGIC REPORT (CONTINUED)**

#### **FOR THE YEAR ENDED 31 DECEMBER 2021**

##### **Section 172(1) Statement (continued)**

Our employees are central to the Company's overall success, properly incorporating their view into our decision-making process is fundamental to what we do. Regular town hall meetings are held within the Company, 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.

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. Xylem's processes and procedures take into account all stakeholders when making long-term decisions which bear significant importance to the Group. We have a delegation of authority process for sign off for Company 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.

With recent trading being particularly difficult, many decisions during the year have focused on cost rationalisation. These can be particularly difficult decisions when employment levels have to be reduced, but the directors are well aware of the impact this can have on employees and the local community.

This report was approved by the Board of directors on 22 September 2022 and signed on behalf of the board by:



**A Bertrand**  
Director

# **BELLINGHAM & STANLEY LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2021**

The directors present their annual report on the affairs of the Company, together with the unaudited financial statements for the year ended 31 December 2021. The Company is registered as a limited company and domiciled in the United Kingdom.

#### **Dividends**

The directors have not proposed a final dividend in 2021 (2020: £nil).

#### **Future developments**

The anticipated future developments of the Company have been discussed within the Strategic Report on page 2.

#### **Political and charitable donations**

The Company made no donations during the year (2020: £nil).

#### **Post balance sheet events**

We continue to assess the evolving nature of the pandemic and its possible implications to our business, employees, supply chain, customers and communities, and to take actions in an effort to mitigate adverse consequences.

2022 to date has experienced growth compared to prior year and product backlog is strong. Challenges continue around global supply chains, increased freight and raw material costs; in particular, developments at Ukraine.

#### **Financial risk management**

The directors consider that the Company's banking facilities are adequate going forward. Short-term flexibility is achieved by overdraft facilities. The Company participates in bank balance pooling at the end of each evening, giving rise to an intercompany balance with Xylem Germany. Credit risk arises on financial instruments such as trade receivables and short-term bank deposits. Policies and procedures exist to ensure that the trade debtors have an appropriate credit history. The Company has minimal currency and commodity price risks because the majority of purchases are from suppliers and sales to customers are invoiced in Sterling.

#### **Going concern**

The directors are aware that there will always be an element of economic uncertainty around making a going concern assessment. The directors do not believe that the impact of the COVID-19 pandemic and the UK's exit from the EU ("Brexit") would have a material adverse effect on the financial position or liquidity of the Company. On 15 February 2022 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 loans and accrued interest that the Company owes other group companies 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.

#### **Directors and their interests**

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

A Bertrand  
E Gallacher (Resigned 23 February 2022)  
I Thompson

#### **Directors' indemnity insurance**

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

#### **Environment**

The Company recognises the importance of its environmental responsibilities and 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.



**BELLINGHAM & STANLEY LIMITED**

**DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

**Employee consultation**

The Company 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 Company. Details of employees and various headcount related information is highlighted in note 6 to the financial statements.

This report was approved by the Board of Directors on 22 September 2022 and signed on behalf of the board by:



**A Bertrand**  
Director

**BELLINGHAM & STANLEY LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	2021 £'000	2020 £'000
<b>Turnover</b>	3	4,943	4,538
Cost of sales		(2,775)	(2,550)
<b>Gross profit</b>		2,168	1,988
Other operating expenses	4	(1,911)	(1,713)
<b>Operating profit</b>	5	257	275
Interest receivable and similar income	8	-	16
<b>Profit before taxation</b>		257	291
Tax on profit	9	(51)	(105)
<b>Profit for the financial year</b>		206	186
<b>Total comprehensive income for the year</b>		206	186

All operations of the Company are continuing.

The notes on pages 11 to 23 form an integral part of these financial statements.

There is no other comprehensive income for the current or previous year other than the profit for the current year and profit for the previous year as shown above. Accordingly, no Statement of Comprehensive Income has been presented

# BELLINGHAM & STANLEY LIMITED

## BALANCE SHEET

AT 31 DECEMBER 2021

	Notes	2021 £'000	2020 £'000
<b>Fixed assets</b>			
Intangible assets	10	100	127
Tangible assets	11	268	327
		<u>368</u>	<u>454</u>
<b>Current assets</b>			
Stocks	12	441	465
Debtors	13	7,893	7,589
Cash at bank and in hand		-	14
		<u>8,334</u>	<u>8,068</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(883)</u>	<u>(922)</u>
Net current assets		<u>7,451</u>	<u>7,146</u>
<b>Total assets less current liabilities</b>		<u>7,819</u>	<u>7,600</u>
<b>Provisions for liabilities</b>	16	<u>(32)</u>	<u>(19)</u>
<b>Net assets</b>		<u>7,787</u>	<u>7,581</u>
<b>Capital and reserves</b>			
Called up share capital	18	46	46
Profit and loss account	18	7,741	7,535
<b>Total equity</b>		<u>7,787</u>	<u>7,581</u>

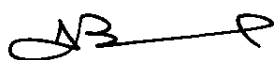
The notes on pages 11 to 23 form an integral part of these financial statements.

For the year ending 31 December 2021 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476;
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These financial statements were approved by the Board of Directors on 22 September 2022 and are signed on its behalf by:



**A Bertrand**  
Director

**BELLINGHAM & STANLEY LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

	<b>Called up share capital £'000</b>	<b>Profit and loss account £'000</b>	<b>Total £'000</b>
<b>Balance at 1 January 2020</b>	46	7,349	7,395
Total comprehensive income	-	186	186
<b>Balance at 31 December 2020</b>	<b>46</b>	<b>7,535</b>	<b>7,581</b>

	<b>Called up share capital £'000</b>	<b>Profit and loss account £'000</b>	<b>Total £'000</b>
<b>Balance at 1 January 2021</b>	46	7,535	7,581
Total comprehensive income	-	206	206
<b>Balance at 31 December 2021</b>	<b>46</b>	<b>7,741</b>	<b>7,787</b>

The notes on pages 11 to 23 form an integral part of these financial statements.

**BELLINGHAM & STANLEY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

**1. Accounting policies**

**Company information**

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

**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" ("FRS102") 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.

**Consolidated financial statements**

The financial statements of the Company are included in the financial statements of Xylem Water Holdings Limited, a company registered in England and Wales. The Consolidated financial statements of Xylem Water Holdings Limited are available from its registered office, C/o Xylem Water Solutions UK Limited, Private Road No 1, Colwick Industrial Estate, Nottingham, Nottinghamshire, NG4 2AN or alternatively Companies House. In addition, the financial statements of the Company are included in the financial statements of Xylem Inc. The consolidated financial statements of Xylem Inc. are available from its registered office, 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:

- 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.

**Going concern**

The directors are aware that there will always be an element of economic uncertainty around making a going concern assessment. The directors do not believe that the impact of COVID-19 pandemic and the UK's exit from the EU ("Brexit") would have a material adverse effect on the financial position or liquidity of the Company. On 15 February 2022 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 loans and accrued interest that the Company owes other group companies 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.

**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 traded discounts, settlement discounts and volume rebates. Turnover is shown net of Value Added Tax.

## **BELLINGHAM & STANLEY LIMITED**

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

#### **FOR THE YEAR ENDED 31 DECEMBER 2021**

##### **1 Accounting policies (continued)**

###### **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.

###### **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.

###### **Finance income**

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

###### **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.

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

## BELLINGHAM & STANLEY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

##### 1. Accounting policies (continued)

###### 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 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% on cost
Computer equipment	20% or 25% on cost
Fixtures and fittings	10% or 20% on cost

Land and buildings are accounted for separately even when acquired together. Land is not depreciated.

###### Impairment reviews

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.

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.

###### 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, are recognised as an impairment loss in profit or loss.

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

# **BELLINGHAM & STANLEY LIMITED**

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

### **FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **1. Accounting policies (continued)**

##### **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.

##### **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.

##### **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.

##### **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.

##### **De-recognition of financial liabilities**

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



## **BELLINGHAM & STANLEY LIMITED**

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

#### **FOR THE YEAR ENDED 31 DECEMBER 2021**

##### **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 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.

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.

# BELLINGHAM & STANLEY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 1. Accounting policies (continued)

##### 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.

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

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 Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. There are no 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.

As such, the Company does not consider there to be any critical accounting estimates or judgements.

#### 3. Turnover

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

	2021 £'000	2020 £'000
Sale of goods	4,461	4,007
Provision of services	482	531
	<u>4,943</u>	<u>4,538</u>

**BELLINGHAM & STANLEY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****3. Turnover (continued)**

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

	<b>2021</b> <b>£'000</b>	<b>2020</b> <b>£'000</b>
United Kingdom	2,007	1,849
Europe	1,386	1,382
Other	1,550	1,307
	<u>4,943</u>	<u>4,538</u>

**4. Other operating expenses**

	<b>2021</b> <b>£'000</b>	<b>2020</b> <b>£'000</b>
Distribution costs	782	671
Administrative expenses	1,129	1,042
	<u>1,911</u>	<u>1,713</u>

**5. Operating profit**

Operating profit is stated after charging/(crediting):

	<b>2021</b> <b>£'000</b>	<b>2020</b> <b>£'000</b>
Exchange losses/(gains)	13	(24)
Depreciation of tangible assets	63	59
Research and development expenditure	241	216
Amortisation of intangible assets	27	26
Impairment of stock (reversed)	27	(48)
Operating lease charges	68	70
Furlough receipts	-	(5)
	<u>-</u>	<u>-</u>

**6. Staff costs**

	<b>2021</b> <b>£'000</b>	<b>2020</b> <b>£'000</b>
Wages and salaries	1,384	1,388
Social security costs	154	153
Other pension costs	251	228
Furlough receipts	-	(5)
	<u>1,789</u>	<u>1,764</u>

# BELLINGHAM & STANLEY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 6. Staff costs (continued)

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

	2021 No.	2020 No.
Production	20	22
Administration and sales	18	17
Research and development	4	4
	<u>42</u>	<u>43</u>

#### 7. Directors' remuneration

	2021 £'000	2020 £'000
Aggregate emoluments	148	135
Company contributions to money purchase pension schemes	34	27
	<u>182</u>	<u>162</u>

The number of directors for whom retirement benefits are accruing under money purchase schemes amounted to 2 (2020 - 2).

No share options were exercised or granted to any director in 2021 (2020: none).

Two directors were remunerated directly by Bellingham & Stanley Limited.

Ian Thompson received remuneration from Xylem Water Solutions UK Limited, a fellow group company registered in the UK.

#### 8. Interest receivable and similar income

	2021 £'000	2020 £'000
Interest receivable from group companies	<u>-</u>	<u>16</u>

# BELLINGHAM & STANLEY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 9. Taxation

	2021 £'000	2020 £'000
<b>Current tax</b>		
UK corporation tax	64	55
Adjustments in respect of prior periods	-	41
<b>Total current tax</b>	<b>64</b>	<b>96</b>
<b>Deferred tax</b>		
Adjustments in respect of prior periods	(10)	8
Tax rate change	(3)	1
<b>Total deferred tax</b>	<b>(13)</b>	<b>9</b>
<b>Total tax charge for the year</b>	<b>51</b>	<b>105</b>

#### Factors affecting current tax charge

The tax for the year is higher (2020: higher) than the average standard rate of corporation tax in the UK for the year ended 31 December 2021 of 19% (2020: 19%). These differences are reconciled below:

	2021 £'000	2020 £'000
<b>Profit before taxation</b>	<b>257</b>	<b>291</b>
Profit multiplied by the average standard rate of corporation tax in the UK for the year of 19% (2020: 19%)	49	55
Effects of:		
Expenses that are not deductible in determining taxable profit	15	-
Adjustment in respect of previous years	(10)	49
Tax rate change	(3)	1
<b>Tax charge for the year</b>	<b>51</b>	<b>105</b>

#### Factors that may affect future tax charge

Finance act 2016 included a reduction in the main rate of UK corporation tax from 19% to 17% from 1 April 2021. However, in the UK budget on 11 March 2021, it was announced that the cut in the tax rate to 17% will now not occur and the UK corporation tax rate will instead remain at 19%. In the 2021 budget, Chancellor announced 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% (2020: 19%). The rate of change will affect the size of the Company's deferred tax assets and liabilities in the future.

# BELLINGHAM & STANLEY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 10. Intangible assets

	Software Licence Fee £'000	Goodwill £'000	Total £'000
<b>Cost</b>			
At 1 January 2021 and 31 December 2021	8	267	275
<b>Amortisation</b>			
At 1 January 2021	8	140	148
Charge for the year	-	27	27
At 31 December 2021	8	167	175
<b>Net book value</b>			
At 31 December 2021	-	100	100
At 31 December 2020	-	127	127

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.

#### 11. Tangible fixed assets

	Plant and machinery £'000	Computer equipment £'000	Fixtures and fittings £'000	Freehold land and buildings £'000	Total £'000
<b>Cost</b>					
At 1 January 2021	1,126	144	292	554	2,116
Additions	-	4	-	-	4
At 31 December 2021	1,126	148	292	554	2,120
<b>Depreciation</b>					
At 1 January 2021	1,062	103	148	476	1,789
Charge for the year	15	17	24	7	63
At 31 December 2021	1,077	120	172	483	1,852
<b>Net book value</b>					
At 31 December 2021	49	28	120	71	268
At 31 December 2020	64	41	144	78	327

Freehold land and buildings includes the cost of land £4k (2020: £4k) which is not depreciated.

# BELLINGHAM & STANLEY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 12. Stocks

	2021 £'000	2020 £'000
Raw materials and consumables	10	15
Work in progress	328	348
Finished goods and goods for resale	103	102
	<u>441</u>	<u>465</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.

#### 13. Debtors

	2021 £'000	2020 £'000
Trade debtors	664	641
Amounts due from fellow group undertakings:		
- Interest bearing	7,033	6,775
- Non-interest bearing	72	54
Deferred tax asset (note 14)	42	29
VAT repayable	-	16
Prepayments and accrued income	82	74
	<u>7,893</u>	<u>7,589</u>

Interest on loans to other group companies is accrued at 0.92% (2020: 1.50%) for EUR, 1.35% (2020: 1.30%) for GBP and 1.45% (2020: 1.35%) for USD in accordance with the terms agreed with Group & European treasury. Other amounts due from other group companies are unsecured and repayable on demand.

#### 14. Deferred taxation

The movement on the deferred tax asset during the year was as follows:

	£'000
At 1 January 2021	29
Movement through the profit and loss account	13
As at 31 December 2021	<u>42</u>

Deferred tax asset consists of:

	2021 £'000	2020 £'000
Depreciation in excess of capital allowances	<u>42</u>	<u>29</u>

A deferred tax asset is recognised to the extent that the asset is forecast to be utilised within the foreseeable future.

**BELLINGHAM & STANLEY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****15. Creditors: amounts falling due within one year**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	224	340
Amount due to other group companies	202	207
Other taxation and social security	35	-
Accruals and deferred income	422	375
	<u>883</u>	<u>922</u>

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

**16. Provisions for liabilities**

	<b>Warranty provision</b>
	<b>£'000</b>
At 1 January 2021	19
Utilised in the year	(39)
Increase in provision	52
At 31 December 2021	<u>32</u>

Bellingham & Stanley Limited provides up to a 36 month warranty for certain instruments as defined on the Company's Warranty Statement. The warranty costs for 2021 were £39k (2020: £12k) which equates to 1.20% of turnover generated by Bellingham & Stanley products. The directors consider a warranty provision of £32k to be appropriate in the circumstances.

**17. 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 £251k (2020: £228k) represents contributions payable by the Company to the fund. There were contributions outstanding at the end of the year of £nil (2020: £nil).

**18. Capital and reserves****Called up share capital**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
<i>Authorised, allotted, called-up and fully-paid:</i>		
45,745 ordinary shares of £1 each	<u>46</u>	<u>46</u>

**Profit and loss account**

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



## BELLINGHAM & STANLEY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

##### 19. Financial commitments

The Company 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 (2020: £nil).

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

	Other 2021 £'000	Other 2020 £'000
Within one year	44	64
Between one and five years	16	60
	<u>60</u>	<u>124</u>

##### 20. Related party transactions

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

##### 21. Post balance sheet events

We continue to assess the evolving nature of the pandemic and its possible implications to our business, employees, supply chain, customers and communities, and to take actions in an effort to mitigate adverse consequences.

2022 to date has experienced growth compared to prior year and product backlog is strong. Challenges continue around global supply chains, increased freight and raw material costs; in particular, developments at Ukraine.

##### 22. Ultimate controlling party

As at 31 December 2021 the Company is a wholly owned subsidiary of Xylem Water Holdings Limited, a company incorporated in England. Xylem Water Holdings Limited is the immediate parent company.

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 that of the top company of the UK Group, Xylem Water Holdings Limited. The financial statements of that company are available from its registered office, c/o Xylem Water Solutions UK Limited, Private Road No 1, Colwick Industrial Estate, Nottingham, Nottinghamshire, NG4 2AN or alternatively Companies House.

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