

Bellingham & Stanley Limited

Unaudited Annual Report and Financial Statements

For the year ended 31 December 2020



Company number: 00140250

BELLINGHAM & STANLEY LIMITED

CONTENTS

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

BELLINGHAM & STANLEY LIMITED

COMPANY INFORMATION

Directors

A Bertrand
E Gallacher
I Thompson

Company secretary

A Bertrand

Registered office

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

BELLINGHAM & STANLEY LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their strategic report and the unaudited financial statements for the year ended 31 December 2020. 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, taking into account the continuing challenging trading conditions which prevailed throughout 2020.

The gross profit percentage has increased to 43.8% (2019: 41.0%) on a turnover which decreased by 8.8%.

The company continues to sell and service other Xylem brands and during 2020, product sales of these brands accounted for 24% (2019: 32%) of total turnover, the decrease due to a reduction in sales of YSI product.

During 2020 the Research and Development department engaged in a full program of new product development, technical support and research. Greater emphasis has been placed on sustainability in our performance and products so as to assist our customers in achieving their own sustainability objectives.

New products – working closely with our customers we delivered software products that meet the stringent data security and compliance requirements of the pharmaceutical industry. We commenced a major value engineering/sustainability project on our high performance polarimeter range with a view to substantially cut our demand for world resources and energy, reduce operating costs and improve end-of-use recyclability. During 2020 we also started collaborating with an OEM partner to add density measurement to our traditional product lines in refractometry and polarimetry.

Technical support – legacy re-engineering resulted in a further significant fall in hardware support demand. As our products become more ‘connected’ we are seeing a marked shift away from hardware support to software and systems support.

Research – we continue to capitalise on our intellectual property and to research technological opportunities.

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

Throughout 2020 the business was impacted by reduced volume, the directors believe this to be caused by the uncertainty in the market place associated with the COVID-19 pandemic, many customers are delaying investment in new instruments, instead opting to repair existing equipment until the financial landscape and impacts of the pandemic become clearer. In addition supply chains have been impacted where COVID-19 pandemic restrictions have meant some links in the supply chain have been required to temporarily close or there have been delays with shipping and border crossings, this has generated increased costs as alternate suppliers have needed to be sourced at short notice. Increased freight costs have been incurred as we have looked to overcome the impact from shipping delays. The business has also invested heavily in ensuring the factory is COVID-19 pandemic safe for all our workers, this has enabled the factory to stay open and operational throughout the pandemic.

2021 to date has seen a significant rebound from where the business finished 2020. Volumes are significantly above 2021 forecasts which have been primarily driven by Europe and sales of the Bellingham & Stanley brand products to other Xylem entities. Backlog is strong for the remainder of the year indicating the business should deliver good growth in 2021.

BELLINGHAM & STANLEY LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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:

	2020	2019
EBITDA % of Turnover	7.9%	5.2%
EBITDA per employee	£8k	£6k

Although turnover decreased by 8.8% the increase in EBITDA is attributable to the reduction in operating costs, predominantly travel expenses.

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 governments to contain the virus negatively impacted our business since Q1 2020. In addition to the already known effects, 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 the reduction in sales due to the level of economic uncertainty for our customers. 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. On 24 December 2020, the UK and the EU reached agreement on a Trade and Cooperation Agreement (the TCA) setting out their future relationship. The UK Parliament passed the European Union (Future Relationship) Act 2020 on 30 December 2020. The TCA has been provisionally applied by both parties from 1 January 2021. The TCA creates a number of risks and uncertainties for our business, including whether we are eligible for the application of a preferential treatment provision for no duties on goods that meet certain origin criteria. There is also uncertainty as to whether the EU Parliament will ratify the TCA, amend or reject it in its entirety. In addition, the new trading relationship between the UK and EU has increased, and will continue to increase, our costs, including for transportation and duties on products not otherwise eligible for preferential treatment under the TCA.

We have experienced, and may continue to experience, shipping delays given the need for customs inspections and other procedures at the border, including with respect to requirements to mitigate the risks of the COVID-19 pandemic. Volatility in foreign currencies and other markets may also arise as the UK and EU work through the TCA or other new trade arrangements. Additionally, once the TCA is formalised, there could be other short or long-term negative impacts. The UK will also need to negotiate its own trade treaties with countries around the world, which could take years to complete, and any disagreements on trade terms could result in supply chain delays or other disruptions. 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.

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.

BELLINGHAM & STANLEY LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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 member 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 2020

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 bare 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 24 September 2021 and signed on behalf of the board by:



A Bertrand
Director

BELLINGHAM & STANLEY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report on the affairs of the Company, together with the unaudited financial statements for the year ended 31 December 2020. The Company is registered as a limited company and domiciled in the United Kingdom.

Dividends

The directors have not proposed a final dividend in 2020 (2019: £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 (2019: £nil).

Post balance sheet events

There are not considered to be any post balance sheet events.

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

While the COVID-19 pandemic has impacted the business across the UK, in terms of reduced revenue, the directors have also taken a number of actions to manage our costs, including a slowdown in recruitment, reducing discretionary expenditures and improving our inventory management. The actions have focused on preserving our financial resilience and strategically positioning the Company for new customer needs and market trends accelerated by the pandemic. The disruption to the supply chain has been limited through management actions at Xylem production facilities to enable manufacturing to continue and to support logistics and distribution operations. In addition, we have taken a number of measures to ensure the health and safety of our people in line with government guidance. This includes working from home and the use of protective equipment for key workers. As a result of the dedication of our teams and the steps we have taken steps to adapt, the Company has continued to supply goods and services to customers.

The Company is supported by its ultimate parent company, Xylem Inc., via loans from Xylem Europe GmbH, the ultimate parent has confirmed that financial support will be continued in order to allow the group companies to meet liabilities as they become due and to carry on business without significant curtailment of operations for 12 months from the date of signing the financial statements. Xylem Inc. issued a \$1bn green bond at the end of June 2020 of which funds could be lent to Xylem Europe GmbH if required. Additionally, the directors have reviewed details of Xylem Europe GmbH access to credit and loan facilities and the cash flow position and have a reasonable expectation that Xylem Inc. has sufficient financial resources available to provide support in the future.

We continue to monitor the impacts the UK's exit from the EU ("Brexit") have on our supply chain, operations and financial results. We have experienced, and may continue to experience, shipping delays given the need for customs inspections and other procedures at the border, including with respect to requirements to mitigate the risks of COVID-19. Volatility in foreign currencies and other markets may also arise as the UK and EU work through the TCA or other new trade arrangements. As a result, we face continued uncertainty and risks of disruptions in our supply chain and increased costs. The directors are satisfied that the risks have been identified and that the plans in place will enable the Company to deal with the challenges and minimise the financial impact.

Overall, the directors have a reasonable expectation that the Company will continue to operate effectively and are confident in receiving continued access to financial resources from Xylem Inc. such that the Company has adequate resources to continue operating for the foreseeable future. Therefore, the financial statements have been prepared on the going concern basis.

BELLINGHAM & STANLEY LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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
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.

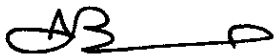
Environment

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.

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 24 September 2021 and signed on behalf of the board by:



A Bertrand
Director

BELLINGHAM & STANLEY LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £'000	2019 £'000
Turnover	3	4,538	4,975
Cost of sales		<u>(2,550)</u>	<u>(2,933)</u>
Gross profit		1,988	2,042
Other operating expenses	4	<u>(1,713)</u>	<u>(1,880)</u>
Operating profit	5	275	162
Disposal of subsidiary		-	-
Dividend received		-	-
Profit before interest and taxation		<u>275</u>	<u>162</u>
Interest receivable and similar income	8	<u>16</u>	<u>38</u>
Profit before taxation		<u>291</u>	<u>200</u>
Tax on profit	9	<u>(105)</u>	<u>112</u>
Profit for the financial year		<u>186</u>	<u>312</u>
Total comprehensive income for the year		<u><u>186</u></u>	<u><u>312</u></u>

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 2020

	Notes	2020 £'000	2019 £'000
Fixed assets			
Intangible assets	10	127	154
Tangible assets	11	327	341
		<u>454</u>	<u>495</u>
Current assets			
Stocks	12	465	448
Debtors	13	7,589	7,419
Cash at bank and in hand		14	4
		<u>8,068</u>	<u>7,871</u>
Creditors: amounts falling due within one year	15	<u>(922)</u>	<u>(957)</u>
Net current assets		<u>7,146</u>	<u>6,914</u>
Total assets less current liabilities		<u>7,600</u>	<u>7,409</u>
Provisions for liabilities	16	<u>(19)</u>	<u>(14)</u>
Net assets		<u>7,581</u>	<u>7,395</u>
Capital and reserves			
Called up share capital	18	46	46
Profit and loss account	18	7,535	7,349
Total equity		<u>7,581</u>	<u>7,395</u>


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

For the year ending 31 December 2020 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 24 September 2021 and are signed on its behalf by:



A Bertrand
Director

BELLINGHAM & STANLEY LIMITED**STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2019	46	7,037	7,083
Total comprehensive income	-	312	312
Balance at 31 December 2019	<u>46</u>	<u>7,349</u>	<u>7,395</u>

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

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 2020

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” (“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.

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, 1 International Drive, Rye Brook, NY 10573, 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

While the COVID-19 pandemic has impacted the business across the UK, in terms of reduced revenue, the directors have also taken a number of actions to manage our costs, including a slowdown in recruitment, reducing discretionary expenditures and improving our inventory management. The actions have focused on preserving our financial resilience and strategically positioning the Company for new customer needs and market trends accelerated by the pandemic. The disruption to the supply chain has been limited through management actions at Xylem production facilities to enable manufacturing to continue and to support logistics and distribution operations. In addition, we have taken a number of measures to ensure the health and safety of our people in line with government guidance. This includes working from home and the use of protective equipment for key workers. As a result of the dedication of our teams and the steps we have taken steps to adapt, the Company has continued to supply goods and services to customers.

BELLINGHAM & STANLEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

Going concern (continued)

The Company is supported by its ultimate parent company, Xylem Inc., via loans from Xylem Europe GmbH, the ultimate parent has confirmed that financial support will be continued in order to allow the group companies to meet liabilities as they become due and to carry on business without significant curtailment of operations for 12 months from the date of signing the financial statements. Xylem Inc. issued a \$1bn green bond at the end of June 2020 of which funds could be lent to Xylem Europe GmbH if required. Additionally, the directors have reviewed details of Xylem Europe GmbH access to credit and loan facilities and the cash flow position and have a reasonable expectation that Xylem Inc. has sufficient financial resources available to provide support in the future.

We continue to monitor the impacts the UK's exit from the EU ("Brexit") has on our supply chain, operations and financial results. We have experienced, and may continue to experience, shipping delays given the need for customs inspections and other procedures at the border, including with respect to requirements to mitigate the risks of COVID-19. Volatility in foreign currencies and other markets may also arise as the UK and EU work through the TCA or other new trade arrangements. As a result, we face continued uncertainty and risks of disruptions in our supply chain and increased costs. The directors are satisfied that the risks have been identified and that the plans in place will enable the Company to deal with the challenges and minimise the financial impact.

Overall, the directors have a reasonable expectation that the Company will continue to operate effectively and are confident in receiving continued access to financial resources from Xylem Inc. such that the Company has adequate resources to continue operating for the foreseeable future. Therefore, the financial statements have been prepared on the going concern basis.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for 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.

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.

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.

BELLINGHAM & STANLEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting policies (continued)

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.

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%
Computer equipment	20% 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.

BELLINGHAM & STANLEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting policies (continued)

Impairment reviews (continued)

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.

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.

BELLINGHAM & STANLEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting policies (continued)

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.

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.

BELLINGHAM & STANLEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting policies (continued)

Provisions (continued)

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.

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.

BELLINGHAM & STANLEY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2020****3. Turnover**

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

	2020 £'000	2019 £'000
Sale of goods	4,007	4,451
Provision of services	531	524
	<u>4,538</u>	<u>4,975</u>

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

	2020 £'000	2019 £'000
United Kingdom	1,849	2,062
Europe	1,382	1,433
Other	1,307	1,480
	<u>4,538</u>	<u>4,975</u>

4. Other operating expenses

	2020 £'000	2019 £'000
Distribution costs	671	719
Administrative expenses	1,042	1,161
	<u>1,713</u>	<u>1,880</u>

5. Operating profit

Operating profit is stated after charging/(crediting):

	2020 £'000	2019 £'000
Exchange (gains)/losses	(24)	32
Depreciation of tangible assets	59	71
Research and development expenditure	216	217
Amortisation of intangible assets	26	26
Stock impairment reversed	(48)	(1)
Operating lease charges	70	66
Loss on disposal of fixed assets	-	3
Furlough receipts	(5)	-
	<u></u>	<u></u>

BELLINGHAM & STANLEY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2020****6. Staff costs**

	2020	2019
	£'000	£'000
Wages and salaries	1,388	1,337
Social security costs	153	144
Other pension costs	228	210
Furlough receipts	(5)	-
	<u>1,764</u>	<u>1,691</u>

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

	2020	2019
	No.	No.
Production	20	22
Administration and sales	18	17
Research and development	4	4
	<u>42</u>	<u>43</u>

7. Directors' remuneration

	2020	2019
	£'000	£'000
Aggregate emoluments	135	138
Company contributions to money purchase pension schemes	27	26
	<u>162</u>	<u>164</u>

The number of directors for whom retirement benefits are accruing under money purchase schemes amounted to 2 (2019 - 2).

No share options were exercised or granted to any director in 2020 (2019: none).

Two directors were remunerated directly by Bellingham & Stanley Limited.

Ian Thompson received remuneration from Xylem Water Solutions UK Limited, a fellow group company within the UK, where his emoluments are disclosed.

BELLINGHAM & STANLEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

8. Interest receivable and similar income

	2020 £'000	2019 £'000
Interest receivable from group companies	16	38

9. Taxation

	2020 £'000	2019 £'000
Current tax		
UK corporation tax	55	44
Adjustments in respect of prior periods	41	(153)
Total current tax	96	(109)
Deferred tax		
Origination and reversal of timing differences	8	(3)
Tax rate change	1	
Total tax (credit)/charge for the year	105	(112)

Factors affecting current tax charge

The tax for the year is higher (2019: lower) than the average standard rate of corporation tax in the UK for the year ended 31 December 2020 of 19% (2019: 19%). These differences are reconciled below:

	2020 £'000	2019 £'000
Profit before taxation	291	200
Profit multiplied by the average standard rate of corporation tax in the UK for the year of 19% (2019:19%)	55	38
Effects of:		
Expenses that are not deductible in determining taxable profit	9	3
Adjustment to tax charge in respect of previous years	41	(153)
Tax charge/(credit) for the year	105	(112)

Factors that may affect future tax (credit)/charge

Finance act 2016 included a reduction in the main rate of UK corporation tax from 19% to 17% from 1 April 2020. However, in the UK budget on 11 March 2020, 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, the 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 the balance sheet date, deferred tax balances continue to be measured at 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 2020

10. Intangible assets

	Software Licence Fee £'000	Goodwill £'000	Total £'000
Cost			
At 1 January 2020 and 31 December 2020	8	267	275
Amortisation			
At 1 January 2020	8	113	121
Charge for the year	-	27	27
At 31 December 2020	8	140	148
Net book value			
At 31 December 2020	-	-	127
At 31 December 2019	-	127	154

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
Cost					
At 1 January 2020	1,117	134	266	554	2,071
Additions	9	10	26	-	45
Disposals	-	-	-	-	-
At 31 December 2020	1,126	144	292	554	2,116
Depreciation					
At 1 January 2020	1,048	87	126	469	1,730
Charge for the year	14	16	22	7	59
On disposals	-	-	-	-	-
At 31 December 2020	1,062	103	148	476	1,789
Net book value					
At 31 December 2020	64	41	144	78	327
At 31 December 2019	69	47	140	85	341

Freehold land and buildings includes cost of land £4k (2019: £4k) which is not depreciated.

BELLINGHAM & STANLEY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2020****12. Stocks**

	2020	2019
	£'000	£'000
Raw materials and consumables	15	13
Work in progress	348	327
Finished goods and goods for resale	102	108
	<u>465</u>	<u>448</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

	2020	2019
	£'000	£'000
Trade debtors	641	738
Amounts due from fellow group undertakings:		
- Interest bearing	6,775	6,302
- Non-interest bearing	54	40
Corporation tax receivable	-	191
Deferred tax asset (note 14)	29	38
VAT repayable	16	39
Prepayments and accrued income	74	71
	<u>7,589</u>	<u>7,419</u>

Interest on loans to other group companies is accrued at 1.50% for EUR, 1.30% for GBP and 1.35% for USD in accordance with the terms agreed with Group & European treasury. Amounts due from the parent company and other group companies are unsecured and repayable on demand.

14. Deferred taxation

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

	£'000
At 1 January 2020	38
Movement through the profit and loss account	(9)
As at 31 December 2020	<u>29</u>

Deferred tax asset consists of :

	2020	2019
	£'000	£'000
Depreciation in excess of capital allowances	<u>29</u>	<u>38</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 2020

15. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	340	356
Amount due to parent company	-	44
Amount due to other group companies	207	277
Accruals and deferred income	375	280
	<u>922</u>	<u>957</u>

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

16. Provisions for liabilities

	Warranty provision £'000
At 1 January 2020	14
Utilised in the year	(12)
Increase in warranty provision	17
At 31 December 2020	<u>19</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 2020 were £12k (2019: £11k) which equates to 0.43% of turnover generated by Bellingham & Stanley products. The directors consider a warranty provision of £19k 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 £228k (2019: £210k) represents contributions payable by the Company to the fund. There were contributions outstanding at the end of the year of £nil (2019: £nil).

18. Capital and reserves

Called up share capital

	2020 £'000	2019 £'000
<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 2020

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 (2019: £nil).

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:

	Other 2020 £'000	Other 2019 £'000
Within one year	64	58
Between one and five years	60	90
	<u>124</u>	<u>148</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

There are not considered to be any post balance sheet events.

22. Ultimate controlling party

As at 31 December 2020 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 1 International Drive, Rye Brook, New York, 10573, USA.