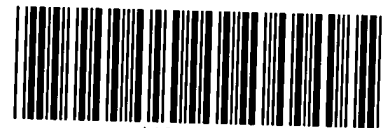


Company Registration No. 02621960

**Sensus UK Systems Limited**  
**Annual report and financial statements**  
**for the year ended 31 December 2019**

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# **Sensus UK Systems Limited**

## **Annual report and financial statements for the year ended 31 December 2019**

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# **Sensus UK Systems Limited**

## **Directors and professional advisors**

Directors	G E Cox V J Kerr P Y Natcheva	(resigned 28 June 2019)
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Secretary	P Y Natcheva
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Company number	02621960
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Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Savannah House 3 Ocean Way Southampton SO14 3TJ
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Registered Office	Third Floor 1 New Fetter Lane London EC4A 1AN
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# Sensus UK Systems Limited

## Strategic report for the year ended 31 December 2019

The directors present their strategic report on the company for the year ended 31 December 2019.

### Review of the business

Sensus UK Systems Limited is part of the global Sensus group of companies, which is now part of Xylem Inc., that design, manufacture and supply utility metering solutions and advanced infrastructure metering systems. Primarily, the company supports the sales, distribution and support of Utility Industry communication systems and water metering products. The principal markets are in the UK and Eire.

The key financial and other performance indicators during the financial year were as follows:

	<b>Year ended 31 December 2019 £'000</b>	<b>Year ended 31 December 2018 £'000</b>
Turnover	12,106	19,719
Gross (loss) / profit	(1,833)	7,435
Loss before taxation	(7,776)	(2,078)
Net assets	10,250	16,595

The principal objectives for the business are to deliver against the two major long term contracts awarded in the UK during 2013 and 2015. These contracts primarily involve data capture and communication technology to the British Government Smart Metering Program and the largest water company in the UK respectively. We partner with Arqiva Limited on both of these contracts and they have contributed significant revenue for the period.

During the second quarter of 2020, the company was awarded a new major long-term smart metering contract with the largest UK water utility by geographic area. We partner with Arqiva Limited on this contract and expect significant revenue streams over the next few years.

The revenue for the year ended 31 December 2019 is lower than the revenue for the year ended 31 December 2018. The reason is the overall delay in the roll out of the Smart Metering Programme which is outside of our control. In addition, the company realised gross loss for the year ended 31 December 2019. A significant contributor for this are one-off licence sales in the year ended 31 December 2018 with a fixed cost base. As a result of the new contract won in 2020, the company expects increased sales volumes and improved mix of product and services sales which is expected to have positive impact on gross profit.

The company continues to increase investment in sales, marketing and bid management for the acquisition of other similar communication technology contracts within UK, Mainland Europe and the Asia Pacific region. In 2019, we have recharged £4m to other group companies for the use of their time outside of the UK.

Typically sales cycles are measured in years for these opportunities and several are progressing positively through the competitive bid processes for the company.

# Sensus UK Systems Limited

## Strategic report for the year ended 31 December 2019 (continued)

### Review of the business (continued)

The company also continues to invest in knowledge and skills for local employees in order to maintain both programs and the business development activities. Furthermore the quality milestones achieved in previous years have been maintained in order to support the company's commitment to ensuring business and quality processes are of the standard that is recognised and aligned with best industry practice.

### COVID-19 pandemic

Since 31 December 2019, the spread of COVID-19 has severely impacted many economies and businesses. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown.

The company has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. The impact to the Company is explained in the Future Outlook section

### Principal risks and uncertainties

The company's operations expose it to a variety of financial, economic and currency risks.

In order to maintain liquidity and to ensure availability of sufficient funds for ongoing operations and future developments, the company focuses on efficient working capital management. The directors consider the banking and group facilities available to the company are adequate. The company participates in a cash pooling arrangement operated by Xylem Group thereby creating an intercompany balance with Xylem Europe GmbH (a group treasury facility). The credit risk on liquid funds is limited because the counterparties are banks with internationally recognised credit ratings. Although the customer base mainly consists of one large customer, the company has no significant credit risk, as the customer has a history of prompt payment. Letters of credit or bank guarantees are requested for overseas customers, where deemed necessary. The company has no external debt and hence is not subject to significant interest rate risk.

Meters are sourced from overseas group companies therefore exposing the company to currency fluctuations. This is minimised to a certain extent through the cash pooling and intercompany netting arrangements operated by Xylem in which the company participates.

The company's principal customer base are utility providers in the water and electric sectors of the UK and overseas. Contractual business now in place with multi year duration and clear financial returns gives the company some certainty as to its future operations. We continue to monitor the ongoing and future direction of our partners and customers to ensure any change of course is visible and acted upon.

On behalf of the Board



P Natcheva  
**Director**

11 September 2020

# **Sensus UK Systems Limited**

## **Directors' report for the year ended 31 December 2019**

The directors present their report and audited financial statements of the company for the year ended 31 December 2019.

### **Directors**

The directors who served during the year and up to the date of this report unless otherwise indicated are listed on page 1.

### **Results and dividends**

The results for the financial year are set out on page 9. The directors do not recommend the payment of a dividend (2018: £nil).

### **Future outlook**

Service revenue decreased when compared to prior year due to the one-off licence sale in the year ended 31 December 2018. Product revenue from traditional metering products increased compared to prior year. The company continued to suffer from higher costs of products imported from outside of the UK and exchange rate variances, impacting negatively product margins. New smart metering technology attracts a significant focus of attention and investment, and the company continues to bring new products and services to market to address evolving opportunities.

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

Future demand for our products and services is uncertain as the COVID-19 pandemic has also had an adverse impact on some of the customers we serve. As such we may experience decreased or delayed demand for our products and services in the future. To date, we don't expect significant impact on sales volumes for the year ending 31 December 2020. However, because of the severity, magnitude and duration of the COVID-19 pandemic and its economic consequences are uncertain, rapidly changing and difficult to predict, the pandemic's ongoing and future impact on our business, financial condition, results of operations remain uncertain and difficult to predict.

During the second quarter of 2020, the company was awarded a new major long-term smart metering contract with the largest UK water utility by geographic area. As a result of this new contract, the company expects increased sales volumes and improved mix of product and services sales which is expected to have positive impact on gross profit.

### **Going concern**

During the financial year the company made a loss of £6,345k (2018: £1,693k) and at the balance sheet date had net assets of £10,250k (2018: £16,595k). The company has no external debt or related external covenant requirements.

The company's ultimate parent undertaking Xylem Inc. has indicated its willingness to provide financial support to the company, should it be necessary, for the foreseeable future. The directors, having considered this together with financial forecasts and budgets for the coming year supporting the financial position of the company, have no reason to believe that a material uncertainty exists that may cast doubt about the ability of the company to continue as a going concern. Accordingly the directors have a reasonable expectation that the company will continue in operational existence and continue to adopt the going concern basis in preparing the financial statements.

# Sensus UK Systems Limited

## Directors' report for the year ended 31 December 2019 (continued)

### Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

### Directors' confirmations

In the case of each director in office at the date the Directors' report is approved:

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

Approved on behalf of the board



P Natcheva  
**Director**

11 September 2020

# **Sensus UK Systems Limited**

## **Independent auditors' report to the members of Sensus UK Systems Limited**

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

#### **Opinion**

In our opinion, Sensus UK Systems Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual report"), which comprise: the balance sheet as at 31 December 2019; the profit and loss account, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.



# **Sensus UK Systems Limited**

## **Independent auditors' report to the members of Sensus UK Systems Limited (continued)**

### **Reporting on other information**

The other information comprises all of the information in the Annual report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### *Strategic report and Directors' report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

# **Sensus UK Systems Limited**

## **Independent auditors' report to the members of Sensus UK Systems Limited (continued)**

### **Responsibilities for the financial statements and the audit (continued)**

#### *Auditors' responsibilities for the audit of the financial statements*

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

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

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Other required reporting**

#### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Kevin Godfrey (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Southampton  
11 September 2020

# Sensus UK Systems Limited

## Profit and loss account for the year ended 31 December 2019

	Note	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
<b>Turnover</b>	4	<b>12,106</b>	19,719
Cost of sales		(13,939)	(12,284)
<b>Gross (loss) / profit</b>		<b>(1,833)</b>	7,435
Distribution costs		(3,170)	(6,320)
Administrative expenses		(2,667)	(3,168)
<b>Operating loss</b>	5	<b>(7,670)</b>	(2,053)
Interest receivable and similar income	7	-	19
Interest payable and similar expenses	8	(106)	(44)
<b>Loss before taxation</b>		<b>(7,776)</b>	(2,078)
Tax on loss	9	1,431	385
<b>Loss for the financial year</b>		<b>(6,345)</b>	(1,693)

All the above activities relate to continuing operations.

There are no other items of comprehensive income or expense and accordingly no separate statement of comprehensive income has been presented.

# Sensus UK Systems Limited

## Balance sheet as at 31 December 2019

	Note	2019 £'000	2018 £'000
<b>Fixed assets</b>			
Intangible assets	10	7,882	8,953
Tangible assets	11	640	727
Investments	12	8,773	8,779
		<b>17,295</b>	<b>18,459</b>
<b>Current assets</b>			
Inventories	13	897	1,202
Debtors	14	8,622	5,414
Cash at bank and in hand		-	161
		<b>9,519</b>	<b>6,777</b>
Creditors: amounts falling due within one year	15	(15,102)	(7,537)
<b>Net current liabilities</b>		<b>(5,583)</b>	<b>(760)</b>
<b>Total assets less current liabilities</b>		<b>11,712</b>	<b>17,699</b>
Provisions for liabilities	16	(1,462)	(1,104)
<b>Net assets</b>		<b>10,250</b>	<b>16,595</b>
<b>Capital and reserves</b>			
Called up share capital	19	-	-
Share premium account		2,000	2,000
Capital contribution reserve		16,820	16,820
Accumulated losses		(8,570)	(2,225)
<b>Total equity</b>		<b>10,250</b>	<b>16,595</b>

The notes on pages 12 to 31 are an integral part of these financial statements.

The financial statements on pages 9 to 31 were approved by the board of directors on 11 September 2020 and signed on its behalf by



P Natcheva  
**Director**

Sensus UK Systems Limited  
Registered number 02621960

# Sensus UK Systems Limited

## Statement of changes in equity for year ended 31 December 2019

	Called up share capital	Share premium account	Capital contribution reserve	Accumulated losses	Total equity
	£'000	£'000	£'000	£'000	£'000
At 1 January 2018	-	2,000	16,820	(532)	18,288
Loss for the financial year	-	-	-	(1,693)	(1,693)
At 31 December 2018	-	2,000	16,820	(2,225)	16,595
Loss for the financial year	-	-	-	(6,345)	(6,345)
<b>At 31 December 2019</b>	<b>-</b>	<b>2,000</b>	<b>16,820</b>	<b>(8,570)</b>	<b>10,250</b>

# **Sensus UK Systems Limited**

## **Notes to the financial statements for the year ended 31 December 2019**

### **1 General information**

Sensus UK Systems Limited is part of the global Sensus group of companies, now part of Xylem Inc., that design, manufacture and supply utility metering solutions and advanced infrastructure metering systems. Primarily, the company is concerned with sales, distribution and support of Utility Industry communication systems and water and gas metering products. The principal markets are in the UK, Eire, Middle East, Africa and Asia.

The company is a private company limited by shares and incorporated and domiciled in England. The address of its registered office is Third Floor, 1 New Fetter Lane, London, EC4A 1AN.

### **2 Statement of compliance**

The individual financial statements of Sensus UK Systems Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

### **3 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

#### **Basis of preparation**

These financial statements are prepared on a going concern basis, under the historical cost convention.

The company is a wholly owned subsidiary of Sensus (UK Holdings) Limited and of its ultimate parent Xylem Inc. It is included in the consolidated financial statements of Xylem Inc. that are publicly available. Therefore the company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. These financial statements are the company's separate financial statements.

#### **Going concern**

The company's ultimate parent undertaking Xylem Inc. has indicated its willingness to provide financial support to the company, should it be necessary, for the foreseeable future. The directors, having considered this together with financial forecasts and budgets for the coming year supporting the financial position of the company, have no reason to believe that a material uncertainty exists that may cast doubt about the ability of the company to continue as a going concern. Accordingly the directors have a reasonable expectation that the company will continue in operational existence and continue to adopt the going concern basis in preparing the financial statements.

# **Sensus UK Systems Limited**

## **Notes to the financial statements for the year ended 31 December 2019 (continued)**

### **3 Summary of significant accounting policies (continued)**

#### **Critical accounting judgements and estimation uncertainty**

The preparation of financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the amounts reported in the financial statements. It also requires management to exercise its judgement in the process of applying the company's accounting policies. However, the nature of estimation means that actual outcomes could differ from those estimates. The following are the company's key sources of estimation uncertainty:

- Impairment of intangible fixed assets and investment carrying values
- Provisions

Further details are contained under separate sections for impairment of intangible fixed assets, investments and provisions.

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.

#### **Exemption for qualifying entities under FRS 102**

As permitted by FRS 102, the company has taken advantage of certain disclosure exemptions available to a qualifying entity. A qualifying entity is defined as a member of a group that prepare publicly available financial statements, which give a true and fair view, in which that member is consolidated. The company is a qualifying entity as its results are consolidated into the financial statements of Xylem Inc. which are publicly available.

As a qualifying entity, the company has taken advantage of the following exemptions:

- i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
- ii) from the requirement to prepare certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
- iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and
- iv) from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

# **Sensus UK Systems Limited**

## **Notes to the financial statements for the year ended 31 December 2019 (continued)**

### **3 Summary of significant accounting policies (continued)**

#### **Foreign currency**

The company's functional and presentation currency is the pound sterling.

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. All monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date, or, if appropriate, at the forward contract rate. Exchange differences arising from the re-translation of foreign currency denominated assets and liabilities together with other exchange differences arising in the year are included in the profit and loss account.

#### **Revenue recognition**

Turnover is recognised on an accruals basis and represents the amounts (excluding VAT) derived from the provision of goods and services to customers during the year.

For product related sales, the company recognises turnover according to the terms of sale, primarily upon shipment or receipt by customers, once the sales price is fixed and determinable and collectability is reasonably assured. Service related sales are recognised over the requisite service period.

The company has long-term contracts with electric and water utility customers for the development of Advanced Metering Infrastructure ("AMI") technology systems that contain multiple deliverables including hardware, software, services and ongoing support over a period of time.

Each deliverable is divided into a separate unit of accounting if it has value to the customer on a standalone basis and delivery/performance of the undelivered item(s) is probable. For the company's standard contract arrangements that combine deliverables, such as hardware, software, project management and installation services, each deliverable is considered a single unit of accounting. The company allocates turnover to each element based on best estimated selling price.

The amount allocable to a delivered item is limited to the amount that the company is entitled to collect and that is not contingent upon the delivery/performance of additional items.

Turnover from hardware is recognised at the time of shipment, receipt by customer, or, if applicable, upon completion of customer acceptance provisions according to the contract terms. Turnover from software is recognised upon system acceptance by customer. If project management and installation services are essential to the software arrangement, turnover is recognised upon the meeting the software acceptance provisions in the contract. Hardware and software post sale maintenance support fees are recognised ratably over the life of the related service contract.

Accrued income is only recognised to the extent that revenue recognition criteria has been met, in advance of billing the customer.



# **Sensus UK Systems Limited**

## **Notes to the financial statements for the year ended 31 December 2019 (continued)**

### **3 Summary of significant accounting policies (continued)**

#### **Pension costs**

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due, amounts not paid are shown in accruals. The assets of the plan are held separately from the company in independently administered funds.

#### **Taxation**

Tax on the loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

#### *Current tax*

Current tax is the amount of income tax payable in respect of the taxable profit for the period or prior periods. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### *Deferred tax*

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

# Sensus UK Systems Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 3 Summary of significant accounting policies (continued)

#### Intangible assets

##### *Computer software*

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life of 3 years on a straight line basis.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

##### *Acquired contract*

Acquired contract intangible asset is capitalised at cost base on the assessed value of the contract and related assets transferred. Acquired asset intangible asset is amortised on a straight line basis over 14 years being the life of the underlying contract.

All intangible assets are reviewed for impairment if factors indicate that the carrying amount may be impaired.

#### Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price and costs directly attributable to bringing the asset to its working condition for its intended use.

##### *Depreciation*

Depreciation is provided on all tangible assets at rates calculated to write off the cost or valuation, less the estimated residual value of each asset over its expected useful life. Depreciation is charged to the profit and loss account on a straight line basis. The estimated useful lives are as follows:

Fixtures and fittings	10 years
Plant and machinery	3-5 years

#### Impairment of fixed assets

Assessment is made at each reporting date whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss account.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss account.

# **Sensus UK Systems Limited**

## **Notes to the financial statements for the year ended 31 December 2019 (continued)**

### **3 Summary of significant accounting policies (continued)**

#### **Investments**

Investments in subsidiary undertakings are held at cost less impairment. The carrying value of investments is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. The calculations for determining the carrying value of investments involves the use of estimates including projected future cash flows and other future events.

#### **Inventories**

Inventory is valued at the lower of cost and net realisable value. Cost is determined on the basis of weighted average cost. Net realisable value is based on an estimated selling price less the estimated cost of disposal. Inventories are recognised as an expense in the period in which the related revenue is recognised.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit and loss account.

#### **Cash and cash equivalents**

Cash and cash equivalents includes cash in hand and deposits at call with banks.

#### **Provisions**

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the 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 end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

#### *Warranty provision*

The company gives 3 year warranties on certain products. Such warranty is in respect of the company's undertaking to repair or replace those items that fail to perform satisfactorily upon meeting the contractual terms and conditions. A provision for warranty is calculated and recognised for each type of such product based on available past historical data on the levels of repairs and returns. Actual warranty costs are charged against the provision for warranty.

#### **Operating leases**

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

# Sensus UK Systems Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 3 Summary of significant accounting policies (continued)

#### Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 in respect of financial instruments.

##### *i) Financial assets*

Basic financial assets, including trade debtors, amounts owed by group undertakings, and cash at bank and in hand, are initially recognised at transaction price. Such assets are subsequently carried at amortised cost using the effective rate method.

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the profit and loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has practical ability to unilaterally sell the asset to an unrelated party without imposing additional restrictions.

##### *ii) Financial liabilities*

Basic financial liabilities, including trade and other creditors, and amounts owed to group undertakings, are initially recognised at transaction price. Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Other creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

##### *iii) Offsetting*

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument, and are offset only when the company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

# Sensus UK Systems Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 3 Summary of significant accounting policies (continued)

#### Share capital

Ordinary shares are classified as equity.

#### Related party transactions

The company discloses transactions with related parties which are not wholly owned with the same group. Pursuant to section 33.1A of FRS 102, it does not disclose transactions with its parent or with members of the same group that are wholly owned.

### 4 Turnover

Turnover is wholly attributable to the company's principal activity being sales, distribution and support of utility industry communication systems and water metering products.

Analysis of turnover by geography:

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
United Kingdom and Europe	12,104	18,776
Rest of the world	2	943
	12,106	19,719

Analysis of turnover by category:

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Sales of goods	11,330	8,974
Software and related service income	776	10,745
	12,106	19,719

# Sensus UK Systems Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 5 Operating loss

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
<b>Operating loss is stated after charging / (crediting):</b>		
Depreciation of tangible fixed assets	180	180
Amortisation of intangible fixed assets	1,071	1,066
Auditors' remuneration – audit of the financial statements	42	47
Auditors' remuneration – tax and advisory services	20	79
Foreign exchange (gain) / loss	(162)	87
Operating lease payments – plant & machinery	8	7
Operating lease payments – land & buildings	232	245

### 6 Directors and employees

Staff costs including directors:

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Wages and salaries	6,687	6,156
Social security costs	818	833
Other pension costs	310	318
	<b>7,815</b>	<b>7,307</b>

The directors received £505k in aggregate emoluments in respect of their qualifying services provided to the company during the year ended 31 December 2019 (2018: £743k). Included within the remuneration for the directors were pension scheme contributions of £26k (2018: £29k). The highest paid director received total emoluments of £219k (2018: £275k). Three directors were accruing benefits under money purchase schemes (2018: one).

# Sensus UK Systems Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 6 Directors and employees (continued)

Monthly average number of employees including directors:

	Year ended 31 December 2019	Year ended 31 December 2018
	No	No
Production	1	3
Selling and distribution	59	55
Administration	11	13
	71	71

### 7 Interest receivable and similar income

	Year ended 31 December 2019	Year ended 31 December 2018
	£'000	£'000
Interest receivable from group undertakings	-	6
Bank interest receivable	-	1
Other interest income	-	12
<b>Total interest receivable and similar income</b>	-	19

### 8 Interest payable and similar expenses

	Year ended 31 December 2019	Year ended 31 December 2018
	£'000	£'000
Interest payable to group undertakings	106	44
<b>Total interest payable and similar expenses</b>	106	44

# Sensus UK Systems Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 9 Tax on loss

#### Tax included in profit and loss account

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Current tax:		
UK corporation tax on loss for the year	1,030	78
Adjustment in respect of previous periods	296	2
<b>Total current tax</b>	<b>1,326</b>	<b>80</b>
Deferred tax:		
Origination and reversal of timing differences	452	304
Adjustment in respect of previous periods	(300)	1
Effect of changes in tax rates	(47)	-
<b>Total deferred tax</b>	<b>105</b>	<b>305</b>
<b>Total tax included in profit and loss account</b>	<b>1,431</b>	<b>385</b>

#### Factors affecting the tax credit for the year

The tax credit for the year is lower (2018: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2019 of 19% (2018: 19%). The differences are explained below:

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Loss before taxation	(7,776)	(2,078)
Tax on loss at standard UK tax rate of 19% (2018: 19%)	1,477	395
<b>Effects of:</b>		
Expenses not deductible for tax purposes	(11)	(29)
Transfer pricing adjustments	15	16
Adjustment from previous periods	(3)	3
Tax rate changes	(47)	-
<b>Tax credit for the year</b>	<b>1,431</b>	<b>385</b>



# Sensus UK Systems Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 9 Tax on loss (continued)

#### Factors that may affect future tax charges

Finance Act 2016 was substantively enacted on 6 September 2016 and reduced the main rate of corporate tax in the UK to 17% with effect from 1 April 2020 and therefore deferred tax has been recognised at the enacted rate of 17%. However, in the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

### 10 Intangible assets

	Software £'000	Acquired contract £'000	Total £'000
<b>Cost</b>			
<b>At 1 January and 31 December</b>	<b>85</b>	<b>14,657</b>	<b>14,742</b>
<b>Accumulated amortisation</b>			
Balance at 1 January 2019	31	5,758	5,789
Amortisation for the year	24	1,047	1,071
<b>Balance at 31 December 2019</b>	<b>55</b>	<b>6,805</b>	<b>6,860</b>
<b>Carrying amounts</b>			
<b>At 31 December 2019</b>	<b>30</b>	<b>7,852</b>	<b>7,882</b>
At 31 December 2018	54	8,899	8,953

On 15 July 2013, the acquired contract intangible asset arose from an acquisition from Sensus US Inc. of the GB Smart Metering contract. The consideration payable was agreed based on the assessed fair value of the contract and related assets transferred. Amortisation is charged on a straight line basis over the assessed useful economic life of the contract of 14 years.

As at 31 December 2019 the directors believe there is no indication that the intangible assets as shown above may be impaired.

# Sensus UK Systems Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 11 Tangible assets

	Fixtures and fittings £'000	Plant and machinery £'000	Total £'000
<b>Cost</b>			
Balance at 1 January 2019	564	1,005	1,569
Additions	10	83	93
Disposals	-	(92)	(92)
<b>Balance at 31 December 2019</b>	<b>574</b>	<b>996</b>	<b>1,570</b>
<b>Accumulated depreciation</b>			
Balance at 1 January 2019	256	586	842
Depreciation for the year	59	121	180
Disposals	-	(92)	(92)
<b>Balance at 31 December 2019</b>	<b>315</b>	<b>615</b>	<b>930</b>
<b>Carrying amounts</b>			
<b>At 31 December 2019</b>	<b>259</b>	<b>381</b>	<b>640</b>
At 31 December 2018	308	419	727

# Sensus UK Systems Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 12 Investments

	2019 £'000	2018 £'000
<b>Cost</b>		
At 1 January and 31 December	8,779	8,779
<b>Provision for impairment</b>		
At 1 January	-	-
Charge for the year	6	-
At 31 December	6	-
<b>Carrying amount</b>		
At 31 December	8,773	8,779

Details of the company's subsidiary undertakings are as follows:

Name of company	Country of Incorporation and operation	Holding	Proportion held	Nature of business
Sensus Japan K.K.	Japan	Ordinary	100%	Distribution of metering equipment
Sensus Australia Pty Ltd	Australia	Ordinary	100%	Distribution of metering equipment
Sentec Ltd	United Kingdom	Ordinary	100%	Scientific and technical consulting

Details of the registered offices of the subsidiary undertakings are as follows:

Sensus Japan K.K.	14-19 Ogawa-cho 3F, Kawasaki-ku, Kawasaki City, Kanagaw, 210-0023, Japan
Sensus Australia Pty Ltd	Level 4, Deutsche Bank Place, Corner of Hunter and Phillip Streets, Sydney NSW 2000, Australia
Sentec Ltd	Third Floor, 1 New Fetter Lane, London, EC4A 1AN, UK

Following a review of the investment, based on a planned liquidation post year-end, the investment in Sensus Japan K.K. has been fully written off and an impairment provision of £6k (2018: nil) has been made during the year.

Subsequent to year-end Sensus Australia Pty Ltd has been disposed of. The carrying value of the investment is £nil and therefore no loss or impairment is required.

The directors believe that the carrying value of the remaining investments is supported by their underlying assets and projected cash flows for the future.

# Sensus UK Systems Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 13 Inventories

	2019	2018
	£'000	£'000
Finished goods	897	1,202

Inventories are stated after provisions for impairment of £624k (2018: £578k).

### 14 Debtors

	Note	2019	2018
		£'000	£'000
Trade debtors		4,806	3,356
Amounts owed by group undertakings		3,056	1,453
Prepayments and accrued income		367	317
Deferred tax asset	17	393	288
		8,622	5,414

The amounts owed by group undertakings are unsecured, interest free and repayable on demand apart from:

- (i) A EUR denominated cashpool of £3k (2018: £62k) due from Xylem Europe GmbH, a group undertaking, which bears interest at a variable rate of EURIBOR 1M. This loan is repayable on demand and is unsecured.

The directors do not believe that the book value and fair value of debtors are materially different.

# Sensus UK Systems Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 15 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	290	386
Amounts owed to group undertakings	13,698	5,977
Other taxation and social security	289	112
Other creditors	3	9
Accruals	822	1,053
	<b>15,102</b>	<b>7,537</b>

The amounts owed to group undertakings are unsecured, interest free and repayable on demand apart from:

- (i) A GBP denominated cashpool of £11,328k (2018: £2,754k) due to Xylem Europe GmbH, a group undertaking, which bears interest at a variable rate of GBP LIBOR 1M. This loan is repayable on demand and is unsecured.
- (ii) A USD denominated cashpool of £99k (2018: debtor of £26k) due from Xylem Europe GmbH, a group undertaking, which bears interest at a variable rate of USD LIBOR 1M. This loan is repayable on demand and is unsecured.

The directors do not believe that the book value and fair value of borrowings are materially different.

### 16 Provisions for liabilities

#### Warranty

	£'000
At 1 January 2019	1,104
Movement dealt within profit and loss account	359
Amounts utilised	(1)
At 31 December 2019	<b>1,462</b>

The amount provided for warranty represents cost of warranty for certain products sold by the company.

# Sensus UK Systems Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 17 Deferred tax

Deferred tax assets / (liabilities)

	2019 £'000	2018 £'000
At 1 January	288	(17)
Adjustment in respect of prior periods	(300)	1
Deferred tax charge to profit and loss for the year	405	304
At 31 December	393	288
Fixed asset timing differences	15	(16)
Short term timing differences - trading	5	4
Losses	373	300
	393	288
Deferred tax assets:		
Recoverable within 12 months	378	304
Recoverable after 12 months	15	-
	393	304
Deferred tax liabilities:		
Payable within 12 months	-	-
Payable after 12 months	-	(16)
	-	(16)

# Sensus UK Systems Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 18 Financial instruments

	Note	2019 £'000	2018 £'000
<b>Financial assets that are debt instruments measured at amortised cost</b>			
Trade debtors	14	<b>4,806</b>	3,356
Amounts owed by group undertakings	14	<b>3,056</b>	1,453
		<b>7,862</b>	4,809
<b>Financial liabilities that are debt instruments measured at amortised cost</b>			
Trade creditors	15	<b>290</b>	386
Amounts owed to group undertakings	15	<b>13,698</b>	5,977
Other taxation and social security	15	<b>289</b>	112
Other creditors	15	<b>3</b>	9
		<b>14,280</b>	6,516

### 19 Called up share capital

Ordinary shares of £1 each

Allotted and fully paid	Number	£'000
<b>At 1 January and 31 December 2019</b>	<b>200</b>	<b>-</b>

# Sensus UK Systems Limited

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 20 Financial commitments

At the balance sheet date the company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2019 £'000	2018 £'000
<b>Land and buildings</b>		
Payments due:		
Within one year	274	164
Within two to five years	900	1,036
After more than five years	-	73
	<b>1,174</b>	<b>1,273</b>
<b>Other</b>		
Payments due:		
Within one year	7	6
Within two to five years	13	1
	<b>20</b>	<b>7</b>

### 21 Related party transactions

The company has, pursuant to paragraph 33.1A of FRS 102 not included details of transactions with other companies which are wholly owned subsidiaries of the Xylem Group. There are no other related party transactions.

### 22 Pension contributions

The company operates a defined contribution pension scheme for all staff. The contributions paid to this scheme are charged to the profit and loss account as incurred. The charge for the year amounted to £310k (2018: £318k). At 31 December 2019 there was £49k of outstanding contributions payable to the scheme (2018: £46k).



# **Sensus UK Systems Limited**

## **Notes to the financial statements for the year ended 31 December 2019 (continued)**

### **23 Bank bonds and letters of credit**

At the balance sheet date the company's bankers have provided the following bonds on the company's behalf; £nil (2018: £5k) in favour of HM Revenue & Customs and \$nil (2018: \$6k) in favour of export customers.

### **24 Controlling parties**

The immediate parent undertaking is Sensus (UK Holdings) Limited, a company registered in England and Wales.

The ultimate parent undertaking and controlling party is Xylem Inc., a company registered in United States of America. The smallest and the largest group to consolidate is Xylem Inc. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 401 of the Companies Act 2006. Copies of consolidated financial statements of Xylem Inc. may be obtained from the company website [www.xylem.com](http://www.xylem.com) and the registered office is 1 International Drive, Rye Brook, NY 10573, USA.