

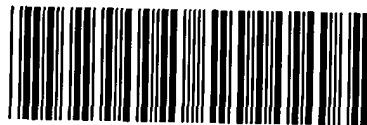
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**VWS (UK) LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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## VWS (UK) LIMITED

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### COMPANY INFORMATION

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<b>Directors</b>	Philip Chattle Mark Dyson (resigned 15 December 2018) Beverley Eagle Martyn Fisher Ian Heggie Nora Ikene Sunil Lakhenpaul Annabel Mouquet
<b>Company secretary</b>	Ian Heggie
<b>Registered number</b>	00327847
<b>Registered office</b>	Windsor Court Kingsmead Business Park High Wycombe Buckinghamshire HP11 1JU
<b>Independent auditor</b>	Ernst & Young LLP Apex Plaza Reading Berkshire RG1 1YE

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## **VWS (UK) LIMITED**

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## VWS (UK) LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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#### INTRODUCTION

The directors present their strategic report for the year ended 31 December 2018.

#### BUSINESS REVIEW

As part of the Veolia Water Division of the Veolia Environnement Group, the Company's principal activity during the year continued to be the manufacture, supply and service of water treatment equipment, operating principally from the UK.

Revenue growth in 2018 was driven mostly by the delivery of large projects within the Design & Build (D&B) business. This was supported by another strong year for the Mobile Water Services business and steady growth in the manufacturing business. With increased reliance on lower margin D&B project revenue, operating profit grew at a slower rate than revenues. The outlook for 2019 is positive, with a strong backlog going into the year and a healthy pipeline of opportunities. However, the continuing uncertainty around the timing and nature of Brexit is impacting the timing of decision making by Customers on Capex investment. Whilst this does not impact the service business significantly, it may well impact the D&B performance during 2019 and into 2020.

The Company made a net actuarial gain through other comprehensive income for the year relating to the defined benefit pension scheme of £1,399k (2017: gain £7,245k). The Company made a contribution of £1,553k to the scheme during the year (2017: £1,501k).

#### FINANCIAL KEY PERFORMANCE INDICATORS

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

	2018 £000	2017 £000
Turnover	102,018	85,885
Total operating profit	14,821	13,544
Profit after tax	12,164	10,546
Equity shareholders' funds	35,082	29,956

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**PRINCIPAL RISKS AND UNCERTAINTIES**

The principal risks and uncertainties facing the Company are broadly grouped as, competitive, interest rate, liquidity, credit and exchange rate risk.

**Competitive Risks**

The Company operates in a market in which there are a number of different competitors. These are mainly large global providers. The risk in regional weakness of demand is offset by the Company's presence in a broad spread of industrial market sectors. It also operates in an environment where its main competitors are large and meets this challenge by offering a total solution based on technical ability.

**Interest Rate Risks**

The Company principally lends funds to the UK Veolia Group through cash pooling arrangements via Veolia UK Limited at floating rates of interest, priced according to a GBP index based on LIBOR.

**Liquidity Risks**

The Company is party to a UK group cash pooling arrangement where each member deposits its cash excesses in a current account with Veolia UK Limited and may borrow money in the form of short-term advances. Veolia UK Limited monitors the balances of all parties to the cash pooling arrangement to ensure that the facility stays in a net surplus position. Cash forecasts are undertaken regularly to ensure that supplier payment profiles can be honoured in full at the appropriate date.

**Credit Risks**

The management has a credit check policy in place and credit checks are performed on all customers requiring credit.

**Exchange Rate Risks**

The Company uses forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material payments or receipts in a foreign currency. Hedge accounting is used as explained in the accounting policy note 1.17 on page 20.

This report was approved by the board on 24<sup>th</sup> June 2019 and signed on its behalf.



**Ian Heggie**  
Director

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## **VWS (UK) LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

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The directors present their report and the financial statements for the year ended 31 December 2018.

#### **DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

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

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

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

#### **RESULTS AND DIVIDENDS**

The profit for the year, after taxation, amounted to £12,164k (2017 - £10,546k).

Dividends of £8,000k (2017 - £4,000k) were paid during the year.

#### **DIRECTORS**

The directors who served during the year were:

Philip Chattle  
Mark Dyson (resigned 15 December 2018)  
Beverley Eagle  
Martyn Fisher  
Ian Heggie  
Nora Ikene  
Sunil Lakhenpaul  
Annabel Mouquet

#### **CHARITABLE AND POLITICAL CONTRIBUTIONS**

During the year the Company made no political contributions. The Company made charitable contributions of £3,192 during the year (2017: £300).

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**HEALTH AND SAFETY**

Health and Safety is recognised as an important legal requirement in all of the Company's operations. In 2018 the Company was awarded the RoSPA President's Order of Distinction for an outstanding performance in health and safety at work over a period of 15 consecutive years by demonstrating a well developed occupational health and safety management system.

The Company is a member of RoSPA, the British Safety Council, and accredited to Achilles, CHAS, Alcumus Safecontractor, Reset and is also a member of the Avetta consortium.

VWS (UK) Limited presently holds ISO14001 (2015) and ISO 9001 (2015) standards and is expecting to achieve the ISO 45001 (2018) by the year 2020. Health and Safety is reviewed annually by the Health and Safety Manager alongside the CEO and each Senior BU Manager at the annual Health and Safety Review Meeting. Annual Company Health and Safety Objectives are set by the Senior Management Team concentrating on key findings from audits, trends in statistics and changes in Health and Safety Regulations. Safety Campaigns are run throughout the year across the Business Units and the workforce are empowered to take a positive proactive role to ensure that their workplace is a safe place to work.

**ENVIRONMENTAL MATTERS**

The Company will seek to minimise adverse impacts on the environment from its activities, whilst continuing to address health, safety and economic issues. The Company has complied with all applicable legislation and regulations.

**FUTURE DEVELOPMENTS**

The Company will focus on providing its customers in all of its key sectors with the most efficient service possible.

**RESEARCH AND DEVELOPMENT ACTIVITIES**

The Company carries out ongoing Research and Development to continually improve the efficiency and quality of its water treatment products to meet customer needs. Research and Development expenditure (classified in administrative expenses) is recorded in the Income Statement in the year that it is incurred.

**EMPLOYEE INVOLVEMENT**

The Company consults its staff on matters of concern in the context of their employment.

During the year, the policy of providing employees with information about the Company has been continued through the use of the intranet and newsletters in which employees have also been encouraged to present their suggestions and views. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

**DISABLED EMPLOYEES**

It is the policy of the Company to support the employment of disabled persons where possible, both in recruitment and by retention of employees who become disabled whilst in the employment of the Company as well as generally through training and career development.

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## VWS (UK) LIMITED

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### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

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#### QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The Company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in Section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force at the date of approving the Directors' Report.

#### DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

#### POST BALANCE SHEET EVENTS

There have been no significant events affecting the Company since the year end.

#### AUDITORS

The auditor, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

#### GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, its financial position and its financial risk management objectives including its exposure to interest, liquidity, credit and competitive risk are described in the Strategic Report on pages 1 and 2.

The Company has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographical areas and industries. Excess sterling cash balances are transferred into group current accounts on a daily basis with other currencies being transferred on a monthly basis, these are reflected within debtors on the Statement of Financial Position. As at 31 December 2018 the value of the cash pooling balances was £42.0m (2017: £39.1m) to which the Company has short-term access to. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements

This report was approved by the board on 24<sup>th</sup> June 2019 and signed on its behalf.



**Ian Heggie**  
Director



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VWS (UK) LIMITED**

### **Opinion**

We have audited the financial statements of VWS (UK) Limited for the year ended 31 December 2018, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 - 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We have nothing to report in respect of the following matters in relation to which the 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.

### **Other information**

The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VWS (UK) LIMITED (CONTINUED)**

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

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

### **Matters on which we are required to report by exception**

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

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

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

### **Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VWS (UK) LIMITED (CONTINUED)

### Auditor's 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 Auditor's 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 Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's Report.

### Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

*Ernst & Young LLP*

Richard Chatwin (Senior Statutory Auditor)

for and on behalf of

**Ernst & Young LLP (Statutory Auditor)**

Reading

Date: *27 JUNE 2019*

VWS (UK) LIMITED

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £000	2017 £000
Turnover	2	102,018	85,885
Cost of sales		(65,615)	(53,980)
<b>Gross profit</b>		<b>36,403</b>	<b>31,905</b>
Distribution costs		(8,955)	(8,741)
Administrative expenses		(11,459)	(9,587)
Fair value movements		(1,168)	(33)
<b>Operating profit</b>	3	<b>14,821</b>	<b>13,544</b>
Interest receivable and similar income	6	321	144
Interest payable and expenses	7	(104)	(70)
Other finance income/(expenses)		170	(6)
<b>Profit before tax</b>		<b>15,208</b>	<b>13,612</b>
Tax on profit	9	(3,044)	(3,066)
<b>Profit for the financial year</b>		<b>12,164</b>	<b>10,546</b>
<b>Other comprehensive income for the year</b>			
Actuarial gains on defined benefit pension scheme		1,399	7,245
Movement of deferred tax relating to pension deficit		(437)	(1,786)
<b>Other comprehensive income for the year</b>		<b>962</b>	<b>5,459</b>
<b>Total comprehensive income for the year</b>		<b>13,126</b>	<b>16,005</b>

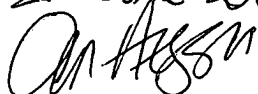
The notes on pages 13 to 38 form part of these financial statements.

**VWS (UK) LIMITED**  
**REGISTERED NUMBER: 00327847**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2018**

	Note	2018 £000	2017 £000
<b>Fixed assets</b>			
Intangible assets	11	77	143
Tangible assets	12	4,501	4,062
		<u>4,578</u>	<u>4,205</u>
<b>Current assets</b>			
Stocks	13	6,819	5,542
Debtors	14	70,362	59,618
Cash at bank and in hand	15	152	128
		<u>77,333</u>	<u>65,288</u>
Creditors: amounts falling due within one year	16	(44,831)	(35,872)
<b>Net current assets</b>		<u>32,502</u>	<u>29,416</u>
<b>Total assets less current liabilities</b>		<u>37,080</u>	<u>33,621</u>
<b>Provisions for liabilities</b>			
Deferred tax	18	(2,485)	(1,773)
Other provisions	19	(8,635)	(8,589)
		<u>(11,120)</u>	<u>(10,362)</u>
Pension asset		<u>9,122</u>	<u>6,697</u>
<b>Net assets</b>		<u><u>35,082</u></u>	<u><u>29,956</u></u>
<b>Capital and reserves</b>			
Called up share capital	20	116	116
Profit and loss account		<u>34,966</u>	<u>29,840</u>
		<u><u>35,082</u></u>	<u><u>29,956</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 24th June 2019.



**Ian Heggie**  
Director

**VWS (UK) LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2018	116	29,840	29,956
<b>Comprehensive income for the year</b>			
Profit for the year	-	12,164	12,164
Actuarial gains on defined benefit pension scheme	-	1,399	1,399
Movement of deferred tax relating to pension surplus	-	(437)	(437)
<b>Other comprehensive income for the year</b>	-	962	962
<b>Total comprehensive income for the year</b>	-	13,126	13,126
Dividends: Equity capital	-	(8,000)	(8,000)
<b>Total transactions with owners</b>	-	(8,000)	(8,000)
<b>At 31 December 2018</b>	<b>116</b>	<b>34,966</b>	<b>35,082</b>

The notes on pages 13 to 38 form part of these financial statements.

**VWS (UK) LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 January 2017	116	17,835	17,951
<b>Comprehensive income for the year</b>			
Profit for the year	-	10,546	10,546
Actuarial losses on defined benefit pension scheme	-	7,245	7,245
Movement of deferred tax relating to pension deficit	-	(1,786)	(1,786)
<b>Other comprehensive loss for the year</b>	-	5,459	5,459
<b>Total comprehensive income for the year</b>	-	16,005	16,005
Dividends: Equity capital	-	(4,000)	(4,000)
<b>Total transactions with owners</b>	-	(4,000)	(4,000)
<b>At 31 December 2017</b>	<b>116</b>	<b>29,840</b>	<b>29,956</b>

The notes on pages 13 to 38 form part of these financial statements.

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## **VWS (UK) LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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#### **1. ACCOUNTING POLICIES**

##### **1.1 STATEMENT OF COMPLIANCE**

VWS (UK) Limited is a limited liability company incorporated in England. The Registered Office is Windsor Court, Kingsmead Business Park, High Wycombe, Buckinghamshire HP11 1JU.

The Company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Company for the year ended 31 December 2018.

##### **1.2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements have been prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £'000.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 1.4).

The Company has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographical areas and industries. Excess sterling cash balances are transferred into group current accounts on a daily basis with other currencies being transferred on a monthly basis, these are reflected within debtors on the balance sheet. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

The following principal accounting policies have been applied:

##### **1.3 CASH FLOW**

The Company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated statements are publically available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 102 Section 1.12.

##### **1.4 JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the date of the statement of financial position and the amounts reported for revenues and expenses during the year. However the nature of estimation means that actual outcomes could differ from, those estimates. The following judgements have had the most significant effect on amounts recognised in the financial statements.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**1. ACCOUNTING POLICIES (CONTINUED)**

**Operating lease commitments**

The Company, as a lessee, obtains the use of property, plant and equipment. The classification of such leases as operating or finance lease requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the Statement of Financial Position.

**Pension and other post-employment benefits**

The cost of the defined benefit pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spread are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the UK. Future salary increase and pension increases are based on expected future inflation rates for the UK. Further details are given in note 22.

**Goodwill and intangible assets**

The Company establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

**Taxation**

The Company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 9.

**Provisions**

The Company establishes provisions for other liabilities, such as warranties and dilapidations, where there is a reasonable expectation that future costs may be incurred. Such provisions are reviewed by management on a regular basis and adjusted in light of new information. Further details are contained in note 19.

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**VWS (UK) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**1. ACCOUNTING POLICIES (CONTINUED)**

**1.5 GROUP ACCOUNTS**

The Company has taken advantage of the exemption available due to being a wholly owned subsidiary under Section 400 Companies Act 2006 not to prepare or deliver group accounts. The smallest group under which the Company's results are consolidated is that headed by Veolia Water Technologies S.A. a company incorporated in France.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**1. ACCOUNTING POLICIES (CONTINUED)**

**1.6 REVENUE**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

**Sale of goods**

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**Rendering of services**

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

**Revenue: Long term contracts**

Revenue on long-term contracts is recognised as the work is carried out, if the final outcome can be assessed with reasonable certainty. Profit is calculated to reflect the proportion of work carried out at the year end, by recording turnover and related costs as contract activity progresses.

Revenue is calculated by reference to work certified or degree of completion. Full provision is made for losses when foreseen.

**Interest income**

Revenue is recognised as interest accrues using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**1. ACCOUNTING POLICIES (CONTINUED)**

**1.7 INTANGIBLE ASSETS**

**GOODWILL**

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Income Statement over its useful economic life.

**1.8 TANGIBLE FIXED ASSETS**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold buildings and long leasehold properties	-	5%
Plant and machinery	-	10% - 20%
Fixtures & fittings	-	10% - 33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

**1.9 OPERATING LEASES: THE COMPANY AS LESSEE**

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

Lease incentives are charged to the Statement of Comprehensive Income over the term of the lease.

**1.10 RESEARCH AND DEVELOPMENT COSTS**

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is capitalised as an intangible asset where it is demonstrable that completion of the project will result in a product available for use or sale, that the product will generate future economic benefit and that the costs can be reliably measured during development.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**1. ACCOUNTING POLICIES (CONTINUED)**

**1.11 STOCKS**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a standard cost basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Income Statement.

**1.12 DEBTORS**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**1.13 CASH AND CASH EQUIVALENTS**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**1. ACCOUNTING POLICIES (CONTINUED)**

**1.14 FINANCIAL INSTRUMENTS**

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income Statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**1.15 CREDITORS**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**1. ACCOUNTING POLICIES (CONTINUED)**

**1.16 FOREIGN CURRENCY TRANSLATION**

**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

**1.17 DERIVATIVE INSTRUMENTS**

The Company uses forward foreign currency contracts to reduce exposure to foreign exchange rates.

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through the Income Statement. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles.

**1.18 FINANCE COSTS**

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**1.19 DIVIDENDS**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**1. ACCOUNTING POLICIES (CONTINUED)**

**1.20 PENSIONS**

**DEFINED BENEFIT PENSION SCHEME**

The service cost of providing retirement benefits to employees during the year is charged to the Income Statement in the year. The full cost of providing amendments to benefits in respect of past service and gains and losses arising on unanticipated settlements or curtailments are also charged to the Income Statement in the year. The difference between the expected return on the assets of the scheme during the year based on the market value of scheme assets at the start of the year and expected increase in liabilities of the scheme are included in other finance (charge)/income. Differences between actual and expected returns on assets during the year are recognised in the Statement of Other Comprehensive Income in the year together with the differences arising from changes in assumptions. The balance on the defined benefit pension scheme is reported on the Statement of Financial Position as the pension asset/(liability).

**DEFINED CONTRIBUTION PENSION PLAN**

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 in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

**DEFINED BENEFIT PENSION PLAN**

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Statement of Financial Position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets at the reporting date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**1. ACCOUNTING POLICIES (CONTINUED)**

**1.20 PENSIONS (CONTINUED)**

included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

**1.21 INTEREST INCOME**

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

**1.22 PROVISIONS FOR LIABILITIES**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**1. ACCOUNTING POLICIES (CONTINUED)**

**1.23 CURRENT AND DEFERRED TAXATION**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

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**VWS (UK) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**2. TURNOVER**

An analysis of turnover by class of business is as follows:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Sale of goods	<b>43,323</b>	<b>40,675</b>
Rendering of services	<b>29,217</b>	<b>25,767</b>
Long term contracts	<b>29,478</b>	<b>19,443</b>
	<b>102,018</b>	<b>85,885</b>

Analysis of turnover by country of destination:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
United Kingdom	<b>68,312</b>	<b>56,009</b>
Rest of Europe	<b>11,561</b>	<b>8,610</b>
North America	<b>10,786</b>	<b>10,153</b>
Rest of World	<b>11,359</b>	<b>11,113</b>
	<b>102,018</b>	<b>85,885</b>

**3. OPERATING PROFIT**

The operating profit is stated after charging:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Research and development expenditure written off	<b>1,471</b>	<b>1,359</b>
Auditors' remuneration	<b>100</b>	<b>83</b>
Depreciation of tangible fixed assets	<b>898</b>	<b>920</b>
Amortisation of intangible assets, including goodwill	<b>66</b>	<b>66</b>
Exchange differences	<b>(157)</b>	<b>266</b>
Defined contribution pension cost	<b>2,399</b>	<b>2,238</b>
<b>OPERATING LEASE PAYMENTS</b>		
- Plant and equipment	<b>676</b>	<b>1,145</b>
- Other operating leases	<b>788</b>	<b>745</b>

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**VWS (UK) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**4. EMPLOYEES**

Staff costs, including directors' remuneration, were as follows:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	<b>19,434</b>	<b>17,311</b>
Social security costs	<b>1,871</b>	<b>1,848</b>
Cost of defined contribution scheme	<b>2,399</b>	<b>2,247</b>
	<b>23,704</b>	<b>21,406</b>

The average monthly number of employees, including the directors, during the year was as follows:

	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
Sales and administration	<b>185</b>	<b>192</b>
Production	<b>255</b>	<b>241</b>
	<b>440</b>	<b>433</b>

**5. DIRECTORS' REMUNERATION**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Directors' emoluments	<b>885</b>	<b>846</b>
Company contributions to defined contribution pension schemes	<b>76</b>	<b>108</b>
	<b>961</b>	<b>954</b>

During the year retirement benefits were accruing to 5 directors (2017 - 6) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £285k (2017 - £253k).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £5k (2017 - £10k).

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**VWS (UK) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**6. INTEREST RECEIVABLE**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Other interest receivable	<b>321</b>	<b>144</b>

**7. INTEREST PAYABLE AND SIMILAR EXPENSES**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Bank interest payable	<b>1</b>	<b>19</b>
Finance leases and hire purchase contracts	<b>103</b>	<b>51</b>
	<b>104</b>	<b>70</b>

**8. OTHER FINANCE COSTS**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Net interest on net defined benefit liability	<b>170</b>	<b>(6)</b>

VWS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

9. TAXATION

	2018 £000	2017 £000
<b>CORPORATION TAX</b>		
Current tax on profits for the year	2,902	2,430
Adjustments in respect of previous periods	(133)	29
<b>TOTAL CURRENT TAX</b>	<b>2,769</b>	<b>2,459</b>
<b>DEFERRED TAX</b>		
Deferred tax for the year	247	542
Prior year adjustment	28	65
<b>TOTAL DEFERRED TAX</b>	<b>275</b>	<b>607</b>
<b>TAXATION ON PROFIT ON ORDINARY ACTIVITIES</b>	<b>3,044</b>	<b>3,066</b>

**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The tax assessed for the year is higher than (2017 - *higher than*) the standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%). The differences are explained below:

	2018 £000	2017 £000
Profit on ordinary activities before tax	15,208	13,612
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%)	2,890	2,620
<b>EFFECTS OF:</b>		
Prior year adjustment to corporation tax	(133)	29
Expenses not deductible for tax purposes	22	30
Prior year adjustment to deferred tax	28	65
Difference between current and deferred tax rates	237	322
<b>TOTAL TAX CHARGE FOR THE YEAR</b>	<b>3,044</b>	<b>3,066</b>

## VWS (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 9. TAXATION (CONTINUED)

##### FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The UK corporation tax rate was reduced to 19% from 1 April 2017 and further to the Budget announcement in March 2016, the corporation tax rate will now be reduced to 17% from 1 April 2020.

Deferred tax assets and liabilities have been stated at the corporation tax rate of 17% (2017: 17%) reflecting the reduction in the UK corporation tax rate which takes effect from 1 April 2020 which was enacted on 15 September 2016. This is on the basis that it is anticipated that the Company's deferred tax assets and liabilities will materially unwind after 1 April 2020.

#### 10. DIVIDENDS

	2018 £000	2017 £000
Dividends paid	8,000	4,000
	<u>8,000</u>	<u>4,000</u>

#### 11. INTANGIBLE ASSETS

	Patents £000	Goodwill £000	Total £000
<b>COST</b>			
At 1 January 2018	600	1,314	1,914
At 31 December 2018	<u>600</u>	<u>1,314</u>	<u>1,914</u>
<b>AMORTISATION</b>			
At 1 January 2018	600	1,171	1,771
Charge for the year	-	66	66
At 31 December 2018	<u>600</u>	<u>1,237</u>	<u>1,837</u>
<b>NET BOOK VALUE</b>			
At 31 December 2018	<u>-</u>	<u>77</u>	<u>77</u>
At 31 December 2017	<u>-</u>	<u>143</u>	<u>143</u>

**VWS (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**12. TANGIBLE FIXED ASSETS**

	Freehold property £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
<b>COST OR VALUATION</b>				
At 1 January 2018	5,781	10,696	6,024	22,501
Additions	-	1,098	239	1,337
At 31 December 2018	5,781	11,794	6,263	23,838
<b>DEPRECIATION</b>				
At 1 January 2018	4,438	8,385	5,616	18,439
Charge for the year on owned assets	125	473	300	898
At 31 December 2018	4,563	8,858	5,916	19,337
<b>NET BOOK VALUE</b>				
At 31 December 2018	1,218	2,936	347	4,501
At 31 December 2017	1,343	2,311	408	4,062

Included within freehold property is land at a cost of £475k which is not depreciated.

**13. STOCKS**

	2018 £000	2017 £000
Raw materials and consumables	3,478	2,315
Work in progress	605	698
Finished goods and goods for resale	2,736	2,529
	6,819	5,542



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

14. DEBTORS

	2018 £000	2017 £000
<b>DUE AFTER MORE THAN ONE YEAR</b>		
<b>DUE WITHIN ONE YEAR</b>		
Trade debtors	9,712	6,784
Amounts owed by fellow subsidiary undertakings	46,930	44,808
Other debtors	1,665	665
Prepayments and accrued income	2,088	1,746
Amounts recoverable on long term contracts	9,869	5,121
Forward foreign contracts	98	494
	<b>70,362</b>	<b>59,618</b>

Included within amounts owed by group undertakings are group cash pooling balances of £42.0m (2017: £39.1m).

15. CASH AND CASH EQUIVALENTS

	2018 £000	2017 £000
Cash at bank and in hand	152	128
	<b>152</b>	<b>128</b>

**VWS (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Trade creditors	<b>20,820</b>	12,453
Amounts owed to fellow subsidiary undertakings	<b>4,330</b>	5,103
Corporation tax	<b>5,003</b>	3,800
Other taxation and social security	<b>346</b>	768
Other creditors	<b>5,422</b>	8,226
Accruals and deferred income	<b>8,093</b>	5,478
Forward foreign contracts	<b>817</b>	44
	<b>44,831</b>	35,872

**17. FINANCIAL INSTRUMENTS**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>FINANCIAL ASSETS</b>		
Financial assets measured at fair value through Statement of Comprehensive Income	<b>250</b>	494
Financial assets that are debt instruments measured at amortised cost	<b>58,307</b>	52,257
	<b>58,557</b>	52,751

**FINANCIAL LIABILITIES**

Financial liabilities measured at fair value through Statement of Comprehensive Income	<b>(817)</b>	(44)
Financial liabilities measured at amortised cost	<b>(38,664)</b>	(31,260)
	<b>(39,481)</b>	(31,304)

Financial assets measured at fair value through the Income Statement relate to forward foreign exchange contracts to hedge currency exposure on future commitments.

Financial assets measured at amortised cost comprise trade debtors, amounts owed by group undertakings and other operating receivables.

Financial liabilities measured at fair value through the Income Statement relate to forward foreign exchange contracts to hedge currency exposure on future commitments.

Financial Liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings and other operating liabilities.

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**VWS (UK) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**18. DEFERRED TAXATION**

	<b>2018 £000</b>	<b>2017 £000</b>
At 1 January 2018	<b>(1,773)</b>	620
(Charged) to the Income Statement	<b>(269)</b>	(607)
(Charged) to other comprehensive income	<b>(443)</b>	(1,786)
<b>AT END OF YEAR</b>	<b><u>(2,485)</u></b>	<b><u>(1,773)</u></b>

The provision for deferred taxation is made up as follows:

	<b>2018 £000</b>	<b>2017 £000</b>
Accelerated capital allowances	<b>45</b>	81
Financial instruments	<b>123</b>	(77)
Pension related	<b>(2,662)</b>	(1,790)
Other short-term timing differences	<b>9</b>	13
	<b><u>(2,485)</u></b>	<b><u>(1,773)</u></b>

**VWS (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**19. PROVISIONS**

	Warranty provision £000	Contract provision £000	Dilapidation provision £000	Other provision £000	Total £000
At 1 January 2018	2,238	-	1,144	5,207	8,589
Charged to comprehensive income	1,057	16	79	344	1,496
Charged to other comprehensive income	-	-	-	(295)	(295)
Released during the year	(187)	-	-	(95)	(282)
Utilised in year	(513)	-	-	(360)	(873)
<b>AT 31 DECEMBER 2018</b>	<b>2,595</b>	<b>16</b>	<b>1,223</b>	<b>4,801</b>	<b>8,635</b>

**Warranty Provisions**

A warranty for between 12 and 24 months is provided for all equipment sold during the year. A provision is made for the expected costs to rectify any equipment based on 2-3% of sales value, depending on the length of warranty and the products being sold.

**Dilapidation Provisions**

The dilapidation provision relates to the estimated cost of satisfying the terms of the leasehold property agreements in place at 31 December 2018. In particular to obligations under the leases to return the properties to their original state upon termination of the leases.

**Other Provisions**

Other provisions relate to non-pension related employee benefits for retirement bonus and gifts £3,123k (2017: £3,278k), litigation £1,558k (2017: £1,692k) and restructuring £120k (2017: £237k).

**20. SHARE CAPITAL**

	2018 £000	2017 £000
146,000 (2017 - 146,000) ordinary shares of £1 each	146	146
<b>ALLOTTED, CALLED UP AND FULLY PAID</b>		
115,876 (2017 - 115,876) ordinary shares of £1 each	116	116

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**21. CONTINGENT LIABILITIES**

Guarantees and bonds of £3,123k (2017: £2,874k) had been given as at 31 December 2018 in the normal course of business. The majority of these amounts relate to performance bonds issued for large projects. There is no indication at this time that these guarantees will be called by customers.

## VWS (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 22. PENSION COMMITMENTS

##### Defined Contribution Scheme

The Company operates a defined contribution pension scheme, the Veolia (formerly Vivendi) UK Pension Plan. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £2,399k (2017 - £2,238k). Contributions totalling £212k (2017 - £193k) were payable to the fund at the reporting date.

##### Defined Benefit Scheme

The Company operates a defined benefit pension scheme in 2018.

Mercer Limited, an independent actuary, carried out the latest triennial actuarial valuation as at 31 December 2015 and updated these figures using the projected unit credit method for 31 December 2018.

Reconciliation of present value of plan liabilities:

	2018 £000	2017 £000
<b>RECONCILIATION OF PRESENT VALUE OF PLAN LIABILITIES</b>		
At the beginning of the year	(83,942)	(85,560)
Interest cost	(2,111)	(2,233)
Actuarial gains	4,914	1,250
Benefits paid	3,999	2,591
Past service cost	(402)	-
(Loss)/gain on settlement or curtailment	(1)	10
<b>AT THE END OF THE YEAR</b>	<b>(77,543)</b>	<b>(83,942)</b>

Composition of plan liabilities:

	2018 £000	2017 £000
Actives	(16,995)	(18,424)
Vested deferreds	(29,414)	(33,199)
Retirees	(31,134)	(32,319)
<b>TOTAL PLAN LIABILITIES</b>	<b>(77,543)</b>	<b>(83,942)</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**22. PENSION COMMITMENTS (CONTINUED)**

Reconciliation of present value of plan assets:

	2018 £000	2017 £000
At the beginning of the year	90,639	84,964
Interest income	2,282	2,217
Actuarial (losses)/gains	(3,810)	4,548
Contributions	1,553	1,501
Benefits paid	(3,999)	(2,591)
<b>AT THE END OF THE YEAR</b>	<b>86,665</b>	<b>90,639</b>

Composition of plan assets:

	2018 £000	2017 £000
Cash and cash equivalents	7,927	4,560
Equity instruments	21,442	26,145
Debt instruments	29,267	30,716
Liability driven investments	21,465	22,890
Alternatives / Diversified growth fund	6,490	6,251
Other	74	77
<b>TOTAL PLAN ASSETS</b>	<b>86,665</b>	<b>90,639</b>

	2018 £000	2017 £000
Fair value of plan assets	86,665	90,639
Present value of plan liabilities	(77,543)	(83,942)
<b>NET PENSION SCHEME ASSET</b>	<b>9,122</b>	<b>6,697</b>

**VWS (UK) LIMITED**

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**22. PENSION COMMITMENTS (CONTINUED)**

Amounts recognised in the Income Statement and Other Comprehensive Income

	<b>2018</b>	<i>2017</i>
	<b>£000</b>	<i>£000</i>
Interest on obligation	<b>170</b>	<i>(6)</i>
<b>TOTAL</b>	<b>170</b>	<i>(6)</i>

Principal actuarial assumptions at the Statement of Financial Position date (expressed as weighted averages):

	<b>2018</b>	<i>2017</i>
	<b>%</b>	<i>%</i>
Discount rate	<b>2.90</b>	<i>2.55</i>
Future salary increases	<b>3.15</b>	<i>3.10</i>
Future pension increases	<b>2.15</b>	<i>2.10</i>

Amounts for the current and previous four periods are as follows:

Defined benefit pension schemes

	<b>2018</b>	<i>2017</i>	<i>2016</i>	<i>2015</i>	<i>2014</i>
	<b>£000</b>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Defined benefit obligation	<b>(77,543)</b>	<i>(83,942)</i>	<i>(85,560)</i>	<i>(70,427)</i>	<i>(74,315)</i>
Scheme assets	<b>86,665</b>	<i>90,639</i>	<i>84,964</i>	<i>71,034</i>	<i>74,530</i>
Deferred tax restriction	<b>-</b>	<i>-</i>	<i>-</i>	<i>(212)</i>	<i>(75)</i>
<b>SURPLUS</b>	<b>9,122</b>	<i>6,697</i>	<i>(596)</i>	<i>395</i>	<i>140</i>
Experience adjustments on scheme liabilities	<b>4,914</b>	<i>1,250</i>	<i>(14,998)</i>	<i>4,500</i>	<i>(8,406)</i>
Experience adjustments on scheme assets	<b>(3,810)</b>	<i>4,548</i>	<i>11,737</i>	<i>(5,516)</i>	<i>10,367</i>



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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**23. COMMITMENTS UNDER OPERATING LEASES**

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Not later than 1 year	<b>1,288</b>	<b>1,268</b>
Later than 1 year and not later than 5 years	<b>2,459</b>	<b>2,802</b>
Later than 5 years	<b>1,136</b>	<b>1,628</b>
	<b>4,883</b>	<b>5,698</b>

**24. RELATED PARTY TRANSACTIONS**

The Company has taken advantage of the exemption available due to being a wholly owned subsidiary under FRS 102 Section 33 and has accordingly not disclosed transactions with other wholly owned entities that are part of the group.

**25. CONTROLLING PARTY**

The smallest group in which the Company's results are consolidated is that headed by Veolia Water Technologies S.A., registered in France. Copies of the financial statements of that company are available from L'Aquarene, 1, Place Montgolfier, 94417 Saint Maurice, Cedex France.

At the year end, the ultimate holding company was Veolia Environnement S.A., a company incorporated in France. The largest group in which the Company's results are consolidated is that headed by Veolia Environnement S.A. Copies of the financial statements of that company are available from 21 Rue La Boetie, 75008 Paris, France.