

Registered number: 00327847

VWS (UK) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

SATURDAY



ACD4UV75

A39

30/09/2023

#58

COMPANIES HOUSE

VWS (UK) LIMITED

COMPANY INFORMATION

Directors

Beverley Eagle
Martyn Fisher
Ian Heggie
Nora Ikene
Philippe Leang
Annabel Mouquet

Company secretary

Ian Heggie

Registered number

00327847

Registered office

Windsor Court
Kingsmead Business Park
High Wycombe
Buckinghamshire
HP11 1JU

Independent auditor

Ernst & Young LLP
R+ Building
2 Blagrove Street
Reading
Berkshire
RG1 1AZ

Bankers

Barclays Bank PLC
1 Churchill Place
LONDON
E14 5HP

HSBC Bank PLC
62-76 Park Street
LONDON
SE1 9DZ

Bank of Scotland
Park House, Glasgow
PO Box 17235
EDINBURGH
EH11 1YH

VWS (UK) LIMITED

CONTENTS

	Page
Strategic Report	1 - 3
Directors' Report	4 - 8
Independent Auditor's Report	9 - 12
Statement of Comprehensive Income	13
Statement of Financial Position	14
Statement of Changes in Equity	15
Notes to the Financial Statements	16 - 42

VWS (UK) LIMITED
**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**
INTRODUCTION

The directors present their strategic report for the year ended 31 December 2022. 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.

The Company benefits from consistent Service and Manufacturing revenue streams across a wide variety of industrial and municipal sectors. After partial recovery in 2021, 2022 saw continued recovery in activity levels which had been impacted by COVID-19. The Service, Manufacturing and Mobile Water Service revenues remained stable, with the key driver for revenue growth in 2022 coming from the Design & Build project streams which benefited from strong backlogs going into 2022 and strong bookings during 2022.

The Ukraine conflict had an impact on component availability and lead times which hampered growth in the manufacturing business and also on service delivery in the year. However this has led to improved backlogs going into 2023 for both the service and manufacturing businesses.

The backlog of D&B projects at the end of 2022 was again strong and the D&B activity in 2023 is forecast to perform strongly. The Service and Manufacturing businesses are also forecast to perform well during 2023.

As part of the ongoing process to complete the merger between the Veolia and Suez Groups worldwide, the European Commission approved the merger in December 2021 subject to the sale of a number of activities within the Veolia Group. This decision included the requirement for Veolia to sell the European Mobile Water Services activities, which includes the Mobile Water Services activities conducted by VWS UK Ltd. This decision was ratified by the CMA in August 2022, and the sale of the MWS business was completed on 1 December 2022. The Mobile Water Services activity generated £8,951k in revenue and £2,377k in operating profit in 2022. The sale generated a profit on disposal of £31,583k before tax.

The Company made a net actuarial gain through other comprehensive income for the year relating to the defined benefit pension scheme of £85k (2021: loss £985k). The Company was not required to make a contribution to the scheme during the year (2021: £2,000k).

FINANCIAL KEY PERFORMANCE INDICATORS

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

	2022	2021
	£000	£000
Sales	118,749	101,594
Total operating profit	20,212	16,501
Profit after tax	43,799	14,800
Equity shareholders' funds	82,890	48,950

Sales growth driven by Manufacturing and Project business. Increased activity levels as resulted improved operating profit.

Profit after tax includes profit on sale of Mobile Water Service division, please see note 20 related to Discontinued Operations.

VWS (UK) LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

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 SONIA. The company remains significantly cash positive and whilst interest rates started to rise during the later half of 2022, interest income levels remain comparatively low. Interest income is not a material income stream for this Company.

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.

The cash pool arrangements are centrally managed by the Group with VWS UK Ltd being in a net deposit position. The Group has confirmed that VWS UK Ltd will have access to these balances as required for their activities.

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 1.8 on page 20.

VWS (UK) LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Directors' statement of compliance with duty to promote the success of the Company

The Directors have ensured compliance with their duties under s.172(1) in relation to the Company and its various stakeholders, including its workforce, main customers and suppliers, local community and relevant regulatory authorities. As a wholly-owned subsidiary of the Veolia Group, the Company effectively has a sole member. The Company is also a recipient of intra-group financing from Veolia UK Limited, as detailed further with the Financial Risks section of the Strategic Report. Engagement with all of the Company's stakeholders has informed the way in which the Directors have discharged their duties and addressed the principal risks and uncertainties as detailed above. Where individual Directors are not directly involved in the processes described below, regular feedback and discussions are held with relevant management teams and operational review meetings. There were no matters brought to the attention of the Directors through the undertaken engagement that were considered to be of strategic importance, other than relating to those matters detailed in the principal decisions section below.

The main purpose of the Company is the manufacture, supply and maintenance of water treatment equipment to its main customers and ensuring the needs of the customers are met, as required. The Company has regular engagement with its main customers, including through meetings and provision of financial and operational reports, as required.

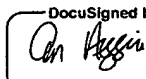
The Company has a procurement team that also leverages the resources of the wider Veolia UK group's supply chain team who are responsible for sourcing goods and services and managing the associated supply chain risks. The Directors recognise that the smooth running of the Company relies on adequate, good quality and timely supplies of goods and services. Engagement with key suppliers includes regular audits and reviews with key suppliers and putting in place appropriate terms and conditions.

The Directors recognise that the Company's success is predicated on the commitment of its workforce. The Directors would like to acknowledge and thank all employees for their dedication and support during this particularly difficult pandemic period. Without their continued efforts and expertise, these results would not have been possible. The Company provides employees with training using in-house, group and external resources. The health and safety of the Company's workforce is of key importance - refer to the Health and safety section of the Directors' report for further details. Employees are given access to the Company and Group information updates via various channels including newsletter and team meetings and engagement also takes place via employee surveys.

VWS UK Ltd is dedicated to working with customers, local communities and government in promoting improvements in water quality and efficiency of water usage in production processes. The company engages with the local community in part by working with local schools to provide education on the impact of water on our environment.

The Company continually works with customers to improve the efficiency of water usage within their processes, through improved technologies and monitoring systems which in turn reduces the potential environmental impact. The Company has regular interactions with the Pension Trustees to provide updates on the financial position of the Company and to inform them of any principal decisions that may impact on the Company's ability to support the defined benefit scheme. As regards principal decisions during the year, the Company paid a £10,000k dividend to its parent company providing a return to the shareholder.

This report was approved by the board on 29 September 2023 and signed on its behalf.

DocuSigned by:

37CC599ACF124F6...
Ian Heggie
Director

VWS (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

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 £43,799 thousand (2021 - £14,800 thousand).

Dividends of £10,000k (2021 - £10,000k) were paid during the year.

DIRECTORS

The directors who served during the year were:

Beverley Eagle
Martyn Fisher
Ian Heggie
Nora Ikene
Philippe Leang
Annabel Mouquet

CHARITABLE AND POLITICAL CONTRIBUTIONS

As part of the company's ongoing commitment to develop its ESG strategy and in particular its connections within the communities in which it operates the company agreed charitable donations to a number of charities spread across the various VWS UK Ltd sites during 2022. This amounted to £50k in 2022.

VWS (UK) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

HEALTH AND SAFETY

The Company will seek to minimise adverse impacts on the environment from its activities, whilst continuing to address health, safety and economic issues.

Health and Safety is recognised as an important legal requirement in all of the Company's operations. In 2023 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 20 consecutive years by demonstrating a well developed occupational health and safety management system.

The Company is a member of RoSPA, the British Safety Council, the Avetta consortium and accredited to Achilles, CHAS, Alcumus Safecontractor, Constructionline, Reset and RAVS plus. All the Accreditation Certificates and Membership Certificates are on the VWT UK Company Intranet under the Health and Safety Tab Certificates Section and QA Tab. The Avetta Portal is managed by QA.

VWS (UK) Limited presently holds ISO14001 (2015) and ISO 9001 (2015) standards. Health and Safety performance of the Business is tracked throughout the year and is reported on a monthly basis to the management teams at all levels. A senior management review is also carried out annually by the Health and Safety Manager alongside the CEO, CSO, Business Director - Technology Projects 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, KPIs on health and safety performance, 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."

In 2023 we have rolled out an extensive health and safety training programme on Corporate High Risk Management Standards and Veolia Life Saving Rules

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 Statement of Comprehensive Income 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.

VWS (UK) LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

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.

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.

GREENHOUSE GAS EMISSIONS, ENERGY CONSUMPTION AND ENERGY EFFICIENCY ACTION

Our approach to reporting is based on the GHG Protocol Corporate Accounting and Reporting Standard. In line with the guidance on SECR, we have included the energy and emissions for the buildings within our operational control, which includes 1 owned sites as well as leased facilities. We have used the latest Defra emissions factors, and our gross emissions total in the table, applies the 'location based' accounting methodology for grid emissions. We have chosen the intensity measure gross scope 1 and 2 emissions in TCO₂ per £1m of revenue to provide comparative consistency.

	2022	2021
	£000	£000
Total Energy Consumption used to calculate GHG emissions (KWH)	5,907,797	6,051,888
Emissions from purchased energy	690	776
Emissions from fuel combustion for travel purposes	704	566
Total Gross GHG emissions (tCo ₂)	1,394	1,342
Emission intensity: Tonnes / £1m of revenue	12	14

In line with the wider Group focus on reducing our Carbon footprint the Company continues to look at policies and opportunities to reduce carbon emissions. This includes the following activities:

- maintaining low levels of overseas travel by using virtual meeting technology
- expanding the offering of electric vehicles within the Company Car scheme with the target of increasing the percentage of electric vehicles within the fleet
- working with customers to increase the use of remote monitoring technologies within the service business to improve the efficiency and number of required service visits

VWS (UK) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Methodology used to calculate the total Energy consumption (kWh):

- Gas and Electricity kWh has been taken directly from bills or meeting readings provided by the landlords.
- UK government SECR kWh passenger vehicles correction factor for average sized has been used, which can be assessed via the Government website at: <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2022>
- Business Travel for air and rail have been calculated using the Department for Environment, Food and Rural Affairs ("DEFRA") guidance, the CO2e factor for the relevant type of travel and has been provided by our business travel provider.

Emissions factors:

The Company has applied the following emission factors:

- UK government emission conversion factors for greenhouse gas company reporting 2022, which can be accessed via the Government website at: <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2022>
- The factors used for Electricity kWh to CO2 KG is 0.19338, for Gas kWh to CO2 KG is 0.18254. LPG Litres to CO2e is 1.55709, LPG litres to kwh is 7.259. Burning Oil Litres to CO2e is 2.54013, Burning Oils Litres to kWh is 10.276. This can be accessed via the Government website at: <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2022>
- UK&I group has a company car policy in place and in line with the car industry standard, this imposes the use for company cars of vehicles emitting a maximum of grams of CO2 per kilometre of 129, known as 129g/km.

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.

VWS (UK) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

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, currency (exchange rates), 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. The company is part of a group cash pooling arrangement of Veolia Environnement S.A. (VESA), the ultimate parent, and is a net depositor to that arrangement (£75,893k at 31st December 2022). 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. The Company has obtained written assurances from Veolia UK Limited and the greater VESA group that it will continue to have access to those funds and that there are sufficient funds within the cash pool to allow all the VESA group entities to access funds to meet the liabilities as they become due.

During 2022 the war in Ukraine has had an impact on the availability of some key components which has resulted in increased lead times on purchases and also increased lead times on product delivery to customers. The impact of increasing energy prices and general inflation has had an impact on margins as we have not passed the full impact of the price increases onto our customers in 2022. During 2023 we have applied price increases on both manufactured products and service contracts as they renew to protect our operating margins going forward. We are working hard with our supply chain to reduce lead times and delivery to customers as component availability improves.

As a result of the pooling arrangement the Company is reliant upon the continued support of Veolia UK Limited and the greater VESA group. The Company has received a letter of support from the parent company, Veolia UK Limited, indicating that they will provide the financial support as required for the company to meet its liabilities as they fall due for the going concern assessment period to 31 December 2024. In turn, Veolia UK Limited have received such a letter of support from VESA.

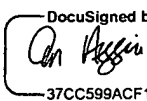
The Company continues to have a strategy of managing discretionary expenditure and a strong focus on credit management. In addition, there have been no bad debts to date as a result of the pandemic. As a result the Company fully expects to remain profitable for the foreseeable future and for 12 months from signing of the accounts, with positive operating cash flows forecasted.

On the basis of their assessment of the Company's financial position, the support received from the parent company and of the enquiries and considerations of the financial strength of the parent company and greater VESA group, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the going concern assessment period. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

AUDITORS

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

This report was approved by the board on 29 September 2023 and signed on its behalf.

DocuSigned by:

37CC599ACF124F6...

Ian Heggie
Director

VWS (UK) LIMITED

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 2022 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 26, including a summary of significant accounting policies. 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 company's affairs as at 31 December 2022 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 UK, including the FRC'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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern from when the financial statements are authorised for issue until 31 December 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. 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.

VWS (UK) LIMITED

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

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 contained within the annual report.

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

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 course of 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions 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 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 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 set out on page 4, 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.

VWS (UK) LIMITED

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 102 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulation in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations, including health and safety, employees, data protection and anti-bribery and corruption.
- We understood how VWS (UK) Limited is complying with those frameworks by making enquiries of management and those responsible for tax, legal and compliance procedures to understand how the Company maintains and communicates its policies and procedures in these areas, and to understand the culture and whether there is a strong emphasis placed on fraud prevention, which may reduce opportunities for fraud to take place as well as fraud deterrence. We corroborated our enquiries through our inspection of Board minutes, review of correspondence with relevant authorities which we did not find any and made consideration of the results of our audit procedures performed to either corroborate or provide contrary evidence which was then followed up.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved a review of the Board minutes to identify any noncompliance with laws and regulations, enquiries of management and in-house legal counsel, and testing journals with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business and enquiries of management and those charged with governance. In addition, we completed procedures to conclude on the compliance of the disclosures in the financial statements and accounts with all applicable requirements.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur through internal team discussions and enquiry of management and those charged with governance. Through these procedures, we considered there to be a potential for management override to achieve revenue targets via topside manual journal entries posted to revenue, further, identifying revenue to be a fraud risk area in relation to revenue recognition on project revenue contracts whereby revenue is recorded at percentage completion milestones.

VWS (UK) LIMITED

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

- We have used data analytics to address the risk of management override, through testing of manual journal entries and we obtained corroborating evidence for such entries.
 - With respect to the fraud risk on revenue recognition, we used data analytics tools to perform a correlation analysis. Our procedures were designed to corroborate our assessment that revenue should be correlated closely to debtors, and, to identify those revenue journals for which the corresponding entry was not to debtors, these entries related to VAT, deferred revenue and accrued revenue, we obtained corroborating evidence for such entries.
 - We also verified the recognition and measurement of revenue by tracing a sample of transactions, selected at random throughout the year, to cash banked and deferred revenue and accrued revenue where applicable, to verify the accuracy of reported revenue.
- In addition, with respect to risk on project revenue, we selected a sample of projects and performed detailed testing including understanding the nature and completion status of the project by making enquiries with management and project owners, validating the budgeted revenue to signed contracts and invoices raised, agreeing the revenue recognised to source documentation and corroborating percentage completed from engineer reports. Further, for the same sample we validated the cost incurred to timecards and expenses.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://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.

DocuSigned by:

Ernst & Young LLP

PROCES402856A47D
Emily Butler (Senior statutory auditor)
for and on behalf of **Ernst & Young LLP, Statutory Auditor**
Reading

29 September 2023

VWS (UK) LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

		Continuing operations 2022 £000	Discontinued operations 2022 £000	Total 2022 £000	Continuing operations 2021 £000	Discontinued operations 2021 £000	Total 2021 £000
	Note						
Turnover	2	109,798	8,951	118,749	93,753	7,841	101,594
Cost of sales		(73,220)	(5,458)	(78,678)	(59,100)	(3,367)	(62,467)
Gross profit		36,578	3,493	40,071	34,653	4,474	39,127
Distribution costs		(8,067)	(494)	(8,561)	(7,125)	(551)	(7,676)
Administrative expenses		(12,196)	(622)	(12,818)	(12,586)	(575)	(13,161)
Fair value movements		1,520	-	1,520	(1,789)	-	(1,789)
Operating profit	3	17,835	2,377	20,212	13,153	3,348	16,501
Gain on sale of discontinued operations	20	-	31,583	31,583	-	-	-
Interest receivable and similar income	6	1,250	-	1,250	170	-	170
Interest payable and similar expenses	7	(526)	-	(526)	(115)	-	(115)
Other finance income	8	243	-	243	193	-	193
Profit before tax		18,802	33,960	52,762	13,401	3,348	16,749
Tax on profit	9	(8,963)	-	(8,963)	(1,949)	-	(1,949)
Profit for the financial year		9,839	33,960	43,799	11,452	3,348	14,800
Other comprehensive income for the year							
Actuarial gains/(losses) on defined benefit pension scheme				85			(985)
Movement of deferred tax relating to pension surplus				56			128
Other comprehensive income/(loss) for the year				141			(857)
Total comprehensive income for the year				43,940			13,943

The notes on pages 16 to 42 form part of these financial statements.

VWS (UK) LIMITED
REGISTERED NUMBER: 00327847

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 £000	2022 £000	2021 £000	2021 £000
Fixed assets					
Intangible fixed assets	11		3,405		3,628
Tangible fixed assets	12		1,474		5,417
			<u>4,879</u>		<u>9,045</u>
Current assets					
Stocks	13	11,426		8,685	
Debtors	14	106,057		68,924	
Cash at bank and in hand	15	139		146	
		<u>117,622</u>		<u>77,755</u>	
Creditors: amounts falling due within one year	16	(42,110)		(39,590)	
Net current assets			<u>75,512</u>		<u>38,165</u>
Total assets less current liabilities			<u>80,391</u>		<u>47,210</u>
Provisions for liabilities					
Deferred tax	17	(4,397)		(4,105)	
Provisions	18	(6,084)		(7,666)	
			<u>(10,481)</u>		<u>(11,771)</u>
Pension asset			<u>12,980</u>		<u>13,511</u>
Net assets			<u>82,890</u>		<u>48,950</u>
Capital and reserves					
Called up share capital	19		116		116
Profit and loss account			<u>82,774</u>		<u>48,834</u>
			<u>82,890</u>		<u>48,950</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 September 2023.

DocuSigned by:

37CC599ACF124F8...
Ian Heggie
Director

VWS (UK) LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 January 2021	116	44,891	45,007
Comprehensive income for the year			
Profit for the year	-	14,800	14,800
Actuarial loss on defined benefit pension scheme	-	(985)	(985)
Movement of deferred tax relating to pension deficit	-	128	128
Other comprehensive loss for the year	-	(857)	(857)
Total comprehensive income for the year	-	13,943	13,943
Dividends: Equity capital	-	(10,000)	(10,000)
Total transactions with owners	-	(10,000)	(10,000)
At 1 January 2022	116	48,834	48,950
Comprehensive income for the year			
Profit for the year	-	43,799	43,799
Actuarial gain on defined benefit pension scheme	-	85	85
Movement of deferred tax relating to pension surplus	-	56	56
Other comprehensive income for the year	-	141	141
Total comprehensive income for the year	-	43,940	43,940
Dividends: Equity capital	-	(10,000)	(10,000)
Total transactions with owners	-	(10,000)	(10,000)
At 31 December 2022	116	82,774	82,890

The notes on pages 16 to 42 form part of these financial statements.

VWS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. ACCOUNTING POLICIES**1.1 STATEMENT OF COMPLIANCE**

VWS (UK) Limited is a limited liability company, limited by shares, 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 2022.

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 1.5).

FRS 102 allows qualifying entities certain disclosure exemptions. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. VWS (UK) Limited is a qualifying entity as its results are consolidated into the financial statements of 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. As a qualifying entity the Company has taken advantage of the following exemptions:

- From preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the company's cash flows.
- Disclosure in respect of financial instruments has not been presented.
- No disclosure has been given for the aggregate remuneration of key management personnel.

The following principal accounting policies have been applied:

VWS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. ACCOUNTING POLICIES (CONTINUED)**1.3 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, currency (exchange rates), 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. The company is part of a group cash pooling arrangement of Veolia Environnement S.A. (VESA), the ultimate parent, and is a net depositor to that arrangement (£75,893k at 31st December 2022). 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. The Company has obtained written assurances from Veolia UK Limited and the greater VESA group that it will continue to have access to those funds and that there are sufficient funds within the cash pool to allow all the VESA group entities to access funds to meet the liabilities as they become due.

During 2022 the war in Ukraine has had an impact on the availability of some key components which has resulted in increased lead times on purchases and also increased lead times on product delivery to customers. The impact of increasing energy prices and general inflation has had an impact on margins as we have not passed the full impact of the price increases onto our customers in 2022. During 2023 we have applied price increases on both manufactured products and service contracts as they renew to protect our operating margins going forward. We are working hard with our supply chain to reduce lead times and delivery to customers as component availability improves.

As a result of the pooling arrangement the Company is reliant upon the continued support of Veolia UK Limited and the greater VESA group. The Company has received a letter of support from the parent company, Veolia UK Limited, indicating that they will provide the financial support as required for the company to meet its liabilities as they fall due for the going concern assessment period to 31 December 2024. In turn, Veolia UK Limited have received such a letter of support from VESA.

The Company continues to have a strategy of managing discretionary expenditure and a strong focus on credit management. In addition, there have been no bad debts to date as a result of the pandemic. As a result the Company fully expects to remain profitable for the foreseeable future and for 12 months from signing of the accounts, with positive operating cash flows forecasted.

On the basis of their assessment of the Company's financial position, the support received from the parent company and of the enquiries and considerations of the financial strength of the parent company and greater VESA group, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the going concern assessment period. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 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.

VWS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. ACCOUNTING POLICIES (CONTINUED)**1.5 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.

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.

VWS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. ACCOUNTING POLICIES (CONTINUED)**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 18.

1.6 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.

1.7 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 profit or loss 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 profit or loss within 'other operating income'.

1.8 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.

VWS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. ACCOUNTING POLICIES (CONTINUED)**1.9 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.

VWS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. ACCOUNTING POLICIES (CONTINUED)**1.9 REVENUE (CONTINUED)****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.

1.10 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.

1.11 INTEREST INCOME

Interest income is recognised in profit or loss using the effective interest method.

1.12 FINANCE COSTS

Finance costs are charged to profit or loss 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.

VWS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. ACCOUNTING POLICIES (CONTINUED)**1.13 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 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 profit or loss 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 included in the cost of an asset, comprises:

VWS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. ACCOUNTING POLICIES (CONTINUED)**1.13 PENSIONS (CONTINUED)**

- 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'.

1.14 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.

1.15 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 of 10 years,

VWS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. ACCOUNTING POLICIES (CONTINUED)**1.16 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.

1.17 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	-	5%
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 profit or loss.

1.18 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 Statement of Comprehensive Income.

1.19 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.

VWS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. ACCOUNTING POLICIES (CONTINUED)**1.20 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.

1.21 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.

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 profit or loss 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.

VWS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. ACCOUNTING POLICIES (CONTINUED)**1.23 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 Statement of Comprehensive Income.

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.

1.24 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.

VWS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. TURNOVER

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

	2022 £000	2021 £000
Sales of goods	69,783	50,966
Rendering of services	19,676	28,079
Long term contracts	20,339	14,708
Discontinued Operations: Rendering of services	8,951	7,841
	118,749	101,594

Analysis of turnover by country of destination:

	2022 £000	2021 £000
United Kingdom	67,835	59,410
Rest of Europe	17,226	15,878
North America	8,655	5,205
Rest of the world	16,082	13,260
Discontinued Operations: Rendering of services	8,951	7,841
	118,749	101,594

3. OPERATING PROFIT

The operating profit is stated after charging:

	2022 £000	2021 £000
Research & development charged as an expense	897	954
Auditors' remuneration	105	110
Depreciation of tangible fixed assets	946	898
Provision for warranty	74	57
Amortisation of intangible assets, including goodwill	403	403
Profit on disposal of plant and equipment	-	36
Exchange differences	(551)	224
Defined contribution pension cost	3,061	2,802
OPERATING LEASE PAYMENTS		
Plant & equipment	526	666
Other operating leases	1,080	853

VWS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

4. EMPLOYEES

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

	2022 £000	2021 £000
Wages and salaries	21,996	23,471
Social security costs	2,603	2,476
Cost of defined contribution scheme	3,061	2,802
	<u>27,660</u>	<u>28,749</u>

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

	2022 No.	2021 No.
Sales and administration	225	201
Production	292	248
	<u>517</u>	<u>449</u>

5. DIRECTORS' REMUNERATION

	2022 £000	2021 £000
Directors' emoluments	531	586
Company contributions to defined contribution pension schemes	44	44
	<u>575</u>	<u>630</u>

During the year retirement benefits were accruing to 3 directors (2021 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £302 thousand (2021 - £348 thousand).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2021 - £NIL).

6. INTEREST RECEIVABLE

	2022 £000	2021 £000
Other interest receivable	<u>1,250</u>	<u>170</u>

VWS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2022	2021
	£000	£000
Bank interest payable	445	70
Finance leases and hire purchase contracts	81	45
	526	115
	<u>526</u>	<u>115</u>

8. OTHER FINANCE COSTS

	2022	2021
	£000	£000
Net interest on net defined benefit liability	243	193
	<u>243</u>	<u>193</u>

VWS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

9. TAXATION

	2022 £000	2021 £000
CORPORATION TAX		
Current tax on profits for the year	8,654	2,603
Adjustments in respect of previous periods	(39)	(206)
TOTAL CURRENT TAX	8,615	2,397
DEFERRED TAX		
Deferred tax charge/(credit) for the year	350	(205)
Prior year adjustment	(2)	(33)
Liability due to change in tax rates	-	(210)
TOTAL DEFERRED TAX	348	(448)
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	8,963	1,949

VWS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

9. TAXATION (CONTINUED)
FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2021 - *lower than*) the standard rate of corporation tax in the UK of 19.00% (2021 - 19.00%). The differences are explained below:

	2022 £000	2021 £000
Profit on ordinary activities before tax	52,762	16,749
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2021 - 19.00%)	10,025	3,182
EFFECTS OF:		
Prior year adjustment to corporation tax	(39)	(206)
Expenses not deductible for tax purposes	(324)	85
Prior year adjustment to deferred tax	(2)	(33)
Difference between current and deferred tax rates	149	68
Benefit of reduced patent box tax rate	(800)	(900)
Adjustment in rate change to closing deferred tax	-	(210)
Change in recognition of deferred tax balances	(46)	(37)
TOTAL TAX CHARGE FOR THE YEAR	8,963	1,949

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

Deferred tax assets and liabilities have been stated at the corporation tax rate of 25% (2021: 25%) reflecting the increase in the main UK corporation tax rate which was enacted to take effect from 1 April 2023. This rate was substantively enacted on 24 May 2021 and remained in force at the Balance Sheet date. This is on the basis that it is anticipated that the Company's deferred tax assets and liabilities will materially unwind after 1 April 2023.

10. DIVIDENDS

	2022 £000	2021 £000
Dividends paid	10,000	10,000
	10,000	10,000

VWS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

11. INTANGIBLE ASSETS

	Patents £000	Goodwill £000	Software £000	Total £000
Cost				
At 1 January 2022	600	5,355	-	5,955
Additions	-	-	140	140
Reclassification	-	-	40	40
At 31 December 2022	600	5,355	180	6,135
Amortisation				
At 1 January 2022	600	1,727	-	2,327
Charge for the year on owned assets	-	403	-	403
At 31 December 2022	600	2,130	-	2,730
NET BOOK VALUE				
At 31 December 2022	-	3,225	180	3,405
At 31 December 2021	-	3,628	-	3,628

VWS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

12. TANGIBLE FIXED ASSETS

	Freehold property £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
COST OR VALUATION				
At 1 January 2022	5,781	14,406	6,995	27,182
Additions	498	282	304	1,084
Disposals	(2,883)	(10,458)	(3,153)	(16,494)
Reclassification	-	-	(40)	(40)
At 31 December 2022	3,396	4,230	4,106	11,732
DEPRECIATION				
At 1 January 2022	4,910	10,015	6,840	21,765
Charge for the year on owned assets	46	761	139	946
Disposals	(1,797)	(7,463)	(3,193)	(12,453)
At 31 December 2022	3,159	3,313	3,786	10,258
NET BOOK VALUE				
At 31 December 2022	237	917	320	1,474
At 31 December 2021	871	4,391	155	5,417

13. STOCKS

	2022 £000	2021 £000
Raw materials and consumables	5,082	3,255
Work in progress (goods to be sold)	1,085	962
Finished goods and goods for resale	5,259	4,468
	11,426	8,685

VWS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

14. DEBTORS

	2022	2021
	£000	£000
Trade debtors	8,795	8,835
Amounts owed by group undertakings	84,571	49,482
Other debtors	914	1,767
Prepayments and accrued income	1,102	1,484
Amounts recoverable on long term contracts	9,381	7,146
Financial instruments	1,294	210
	106,057	68,924

Included within amounts owed by group undertakings are group cash pooling balances of £75,893k (2021: £43,975k).

15. CASH AND CASH EQUIVALENTS

	2022	2021
	£000	£000
Cash at bank and in hand	139	146
	139	146

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022	2021
	£000	£000
Trade creditors	10,118	6,870
Amounts owed to group undertakings	6,625	7,214
Corporation tax	4,186	3,954
Other taxation and social security	421	535
Other creditors	10,018	9,971
Accruals and deferred income	10,474	10,342
Financial instruments	268	704
	42,110	39,590

Amounts owed to group undertakings are due to normal trading with affiliates with no fixed repayment dates and no interest due or accrued on the outstanding balances.

VWS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

17. DEFERRED TAXATION

	2022 £000	2021 £000
At the beginning of the year	(4,105)	(4,301)
(Charged)/Credited to the Income Statement	(348)	448
Credited/(Charged) to other comprehensive income	56	(252)
AT THE END OF THE YEAR	(4,397)	(4,105)

The provision for deferred taxation is made up as follows:

	2022 £000	2021 £000
Accelerated capital allowances	(127)	(116)
Financial instruments	(236)	82
Pension related	(4,034)	(4,071)
	(4,397)	(4,105)

VWS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

18. PROVISIONS

	Non- Pension Employee benefits provision £000	Warranty provision £000	Dilapidation provision £000	Other provision £000	Total £000
At 1 January 2022	2,632	2,195	1,327	1,512	7,666
Charged to the profit or loss	284	445	41	-	770
Charged to other comprehensive income	(859)	-	-	-	(859)
Utilised in year	(19)	(371)	(136)	(967)	(1,493)
At 31 December 2022	2,038	2,269	1,232	545	6,084

Non-Pension Employee benefits provision

The Non-Pension Employee benefits relate to commitments to retirement bonuses and retirement gifts which are included in employee contracts. The value of the provision is based on actuarial valuations which are updated annually.

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 2022. 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 litigation £545k (2021: £1,512k).

VWS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

19. SHARE CAPITAL

	2022	2021
	£000	£000
AUTHORISED		
146,000 (2021 - 146,000) ordinary shares of £1 each	146	146
ALLOTTED, CALLED UP AND FULLY PAID		
115,876 (2021 - 115,876) ordinary shares of £1 each	116	116

20. DISCONTINUED OPERATIONS

As part of the ongoing process to complete the merger between the Veolia and Suez Groups worldwide, the European Commission approved the merger in December 2021 subject to the sale of a number of activities within the Veolia Group. This decision included the requirement for Veolia to sell the European Mobile Water Services activities, which includes the Mobile Water Services activities conducted by VWS UK Ltd. This decision was ratified by the CMA in August 2022, and the sale of the MWS business was completed on 1 December 2022 and have been shown as the discontinued operations within the financial statements.

	£000
Purchase Price	37,136
	37,136
NET ASSETS DISPOSED OF:	
Fixed assets disposal	5,399
Other liabilities	154
	5,553
PROFIT ON DISPOSAL BEFORE TAX	31,583
	£000
Cash consideration	37,136
NET INFLOW OF CASH	37,136

21. CONTINGENT LIABILITIES

Guarantees and bonds of £5,390k (2021: £3,517k) had been given as at 31 December 2022 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 2022

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 £3,061k (2021 - £2,802k). Contributions totalling £240k (2021 - £223k) were payable to the fund at the reporting date.

Defined Benefit Scheme

The Company operates a defined benefit pension scheme in 2022.

Barnett Waddington Limited, an independent actuary, carried out the latest triennial actuarial valuation as at 31 December 2021 and Mercer Limited updated these figures using the projected unit credit method for 31 December 2022.

Reconciliation of present value of plan liabilities:

	2022 £000	2021 £000
At the beginning of the year	96,353	95,769
Interest cost	1,711	1,369
Actuarial (gains) / losses	(36,180)	2,476
Benefits paid	(2,301)	(3,261)
AT THE END OF THE YEAR	59,583	96,353

Composition of plan liabilities:

	2022 £000	2021 £000
Actives	8,560	22,489
Vested deferreds	22,889	39,687
Retirees	28,134	34,177
TOTAL PLAN LIABILITIES	59,583	96,353

VWS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

22. PENSION COMMITMENTS (CONTINUED)

Reconciliation of present value of plan assets:

	2022 £000	2021 £000
At the beginning of the year	109,864	109,097
Interest income	1,954	1,562
Actuarial (losses) / gains	(36,954)	466
Contributions	-	2,000
Benefits paid	(2,301)	(3,261)
AT THE END OF THE YEAR	72,563	109,864

Composition of plan assets:

	2022 £000	2021 £000
Cash and cash equivalents	453	466
Debt instruments	72,049	109,317
Assets held by insurance company	61	81
TOTAL PLAN ASSETS	72,563	109,864

	2022 £000	2021 £000
Fair value of plan assets	72,563	109,864
Present value of plan liabilities	(59,583)	(96,353)
NET PENSION SCHEME ASSET	12,980	13,511

VWS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

22. PENSION COMMITMENTS (CONTINUED)

Amounts recognised in the Statement of Comprehensive Income

	2022	2021
	£000	£000
Interest on obligation	243	193
TOTAL	243	193

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

	2022	2021
	%	%
Discount rate	5.00	1.80
Future salary increases	3.10	3.30
Future pension increases	2.45	2.60

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

Defined benefit pension schemes

	2022	2021	2020	2019	2018
	£000	£000	£000	£000	£000
Defined benefit obligation	(59,583)	(96,353)	(95,769)	(84,985)	(77,543)
Scheme assets	72,563	109,864	109,097	96,061	86,665
SURPLUS	12,980	13,511	13,328	11,076	9,122
Experience adjustments on scheme liabilities	36,180	(2,476)	(11,639)	(9,271)	4,914
Experience adjustments on scheme assets	(36,954)	466	12,260	9,367	(3,810)

VWS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

22. PENSION COMMITMENTS (CONTINUED)

SENSITIVITY ANALYSIS

	2022 £000	2021 £000
Present value of defined benefit obligation		
Discount rate + 25 basis points	55,914	92,468
Price inflation rate + 25 basis points	61,613	100,055
Post-retirement mortality assumption - 1 year age rating	61,112	100,166
Weighted average duration of defined benefit obligation (in years)		
Discount rate + 25 basis points	13.31	16.74

23. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £000	2021 £000
Not later than 1 year	1,704	1,414
Later than 1 year and not later than 5 years	4,585	4,162
Later than 5 years	1,590	753
	7,879	6,329

The company entered into a new lease on 19th of October 2022 for a manufacturing unit, which will expand the capacity of the manufacturing business:

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. POST BALANCE SHEET EVENTS

Since the year end the Company has completed a buy-in project for the Company's Defined Benefit Scheme. As a result of the deal, which was completed on 11 May 2023, the ongoing liabilities for the Defined Benefit Scheme are now secured by an Insurance Company.

Since the year end the Company moved the management of the logistics and warehousing of its parts and service business to a 3rd party provider. This involved transferring stock on the 31st of January 2023 into the business from a sister Company "Solys UK" which had previously supplied the warehousing and logistics service. The value of the stock acquired was £1.8m.

VWS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

26. CONTROLLING PARTY

The immediate parent of the company is OTV Birwelco Ltd. 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.