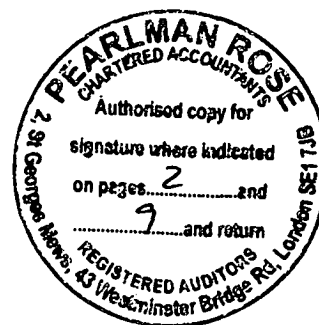


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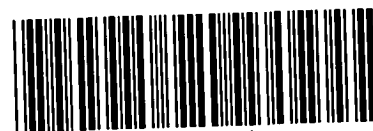
SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

Annual Report and Financial Statements

for the Year Ended 31 December 2018

Pearlman Rose
Chartered Accountants & Statutory Auditors
2 St Georges Mews
43 Westminster Bridge Road
London SE1 7JB

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SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

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SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

Company Information

Directors	J E Swan Esq P Wheat Esq T J Swan Esq
Company secretary	D Rolston Esq
Registered office	Units 1 & 2 Blackall Industrial Estate South Woodham Ferrers Chelmsford Essex CM3 5UW
Bankers	Barclays Bank Plc 183 High Street Epping Essex CM19 4BH
Auditors	Pearlman Rose Chartered Accountants & Statutory Auditors 2 St Georges Mews 43 Westminster Bridge Road London SE1 7JB

SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

Directors' Report for the Year Ended 31 December 2018

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

Directors' of the company

The directors, who held office during the year, were as follows:

J E Swan Esq

P Wheat Esq

T J Swan Esq

Principal activity

The principal activity of the company is the design, manufacture and sale of fan assisted heating systems.

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

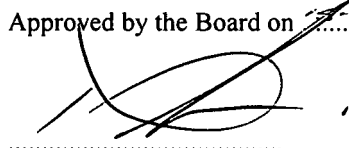
Reappointment of auditors

The auditors Pearlman Rose are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Small companies provision statement

This report has been prepared in accordance with the small companies regime under the Companies Act 2006.

Approved by the Board on 15.5.19 and signed on its behalf by:



.....
D Rolston Esq
Company secretary

SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

Independent Auditor's Report to the Members of SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

Opinion

We have audited the financial statements of SMITH'S ENVIRONMENTAL PRODUCTS LIMITED (the 'company') for the year ended 31 December 2018, which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 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

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. 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.

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.

SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

Independent Auditor's Report to the Members of SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

Opinion on other matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where 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 Statement of Directors' Responsibilities [set out 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.

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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

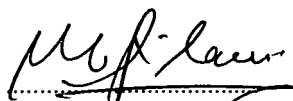
Independent Auditor's Report to the Members of SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.



Mohammad Jilani (Senior Statutory Auditor)
For and on behalf of Pearlman Rose, Statutory Auditor

2 St Georges Mews
43 Westminster Bridge Road
London
SE1 7JB

Date: 17 May 2019

SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

Income Statement for the Year Ended 31 December 2018

	Note	2018 £	2017 £
Revenue	3	6,783,191	5,492,706
Cost of sales		<u>(3,884,505)</u>	<u>(2,904,843)</u>
Gross profit		2,898,686	2,587,863
Distribution costs		(1,030,387)	(861,813)
Administrative expenses		(1,561,030)	(1,480,216)
Other gains		<u>-</u>	<u>400</u>
Operating profit	4	307,269	246,234
Finance income		<u>719</u>	<u>1,239</u>
Profit before tax		307,988	247,473
Income tax expense	8	<u>(58,907)</u>	<u>(50,653)</u>
Profit for the year		<u><u>249,081</u></u>	<u><u>196,820</u></u>

The above results were derived from continuing operations.

SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

Statement of Comprehensive Income for the Year Ended 31 December 2018

	2018	2017
	£	£
Profit for the year	<u>249,081</u>	<u>196,820</u>
Total comprehensive income for the year	<u><u>249,081</u></u>	<u><u>196,820</u></u>

The notes on pages 12 to 24 form an integral part of these financial statements.

SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

(Registration number: 02607831)

Statement of Financial Position as at 31 December 2018

	Note	31 December 2018 £	31 December 2017 £
Assets			
Non-current assets			
Property, plant and equipment	9	45,329	40,947
Intangible assets	10	14,719	9,811
Investments in subsidiaries, joint ventures and associates		2	2
		<u>60,050</u>	<u>50,760</u>
Current assets			
Inventories	12	786,086	738,050
Trade and other receivables	13	1,250,212	1,024,466
Cash and cash equivalents	14	130,367	245,687
		<u>2,166,665</u>	<u>2,008,203</u>
Total assets		<u><u>2,226,715</u></u>	<u><u>2,058,963</u></u>
Equity and liabilities			
Equity			
Share capital	15	(1,000)	(1,000)
Share premium		(59,400)	(59,400)
Retained earnings		<u>(1,135,107)</u>	<u>(886,026)</u>
Total equity		<u>(1,195,507)</u>	<u>(946,426)</u>
Non-current liabilities			
Deferred tax liabilities	8	2,601	1,119
Current liabilities			
Trade and other payables	18	(973,419)	(1,060,006)
Income tax liability		<u>(60,390)</u>	<u>(53,650)</u>
		<u>(1,033,809)</u>	<u>(1,113,656)</u>
Total liabilities		<u>(1,031,208)</u>	<u>(1,112,537)</u>
Total equity and liabilities		<u><u>(2,226,715)</u></u>	<u><u>(2,058,963)</u></u>

Approved and authorised by the Board on 31/5/19 and signed on its behalf by:



T J Swan Esq
Director

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The notes on pages 12 to 24 form an integral part of these financial statements.

SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

Statement of Changes in Equity for the Year Ended 31 December 2018

	Share capital	Share premium	Retained earnings	Total
	£	£	£	£
At 1 January 2018	1,000	59,400	886,026	946,426
Profit for the year	-	-	249,081	249,081
Total comprehensive income	-	-	249,081	249,081
At 31 December 2018	<u>1,000</u>	<u>59,400</u>	<u>1,135,107</u>	<u>1,195,507</u>
	Share capital	Share premium	Retained earnings	Total
	£	£	£	£
At 1 January 2017	1,000	59,400	836,770	897,170
Profit for the year	-	-	196,820	196,820
Total comprehensive income	-	-	196,820	196,820
Dividends	-	-	(147,564)	(147,564)
At 31 December 2017	<u>1,000</u>	<u>59,400</u>	<u>886,026</u>	<u>946,426</u>

The notes on pages 12 to 24 form an integral part of these financial statements.

SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

Statement of Cash Flows for the Year Ended 31 December 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
Profit for the year		249,081	196,820
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	4	19,810	27,013
Profit on disposal of property plant and equipment		-	(400)
Finance income	5	(719)	(1,239)
Income tax expense	8	58,907	50,653
		<u>327,079</u>	<u>272,847</u>
Working capital adjustments			
Increase in inventories	12	(48,036)	(313,774)
Increase in trade and other receivables	13	(225,746)	(201,893)
(Decrease)/increase in trade and other payables	18	<u>(86,587)</u>	<u>350,062</u>
Cash generated from operations		(33,290)	107,242
Income taxes paid	8	<u>(53,650)</u>	<u>(47,033)</u>
Net cash flow from operating activities		<u>(86,940)</u>	<u>60,209</u>
Cash flows from investing activities			
Interest received	5	719	1,239
Acquisitions of property plant and equipment		(21,854)	-
Proceeds from sale of property plant and equipment		-	400
Acquisition of intangible assets	10	<u>(7,245)</u>	<u>(7,180)</u>
Net cash flows from investing activities		(28,380)	(5,541)
Cash flows from financing activities			
Dividends paid	19	<u>-</u>	<u>(147,564)</u>
Net decrease in cash and cash equivalents		(115,320)	(92,896)
Cash and cash equivalents at 1 January		<u>245,687</u>	<u>338,583</u>
Cash and cash equivalents at 31 December		<u><u>130,367</u></u>	<u><u>245,687</u></u>

The notes on pages 12 to 24 form an integral part of these financial statements.

SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

1 General information

The company is a private company limited by share capital, incorporated and domiciled in England.

The address of its registered office is:

Units 1 & 2
Blackall Industrial Estate
South Woodham Ferrers
Chelmsford
Essex
CM3 5UW

2 Accounting policies

Statement of compliance

The company financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the EU ("adopted IFRS's").

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

The financial statements have been prepared in accordance with adopted IFRSs and under historical cost accounting rules.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

Exemption from preparing group accounts

The financial statements contain information about SMITH'S ENVIRONMENTAL PRODUCTS LIMITED as an individual company and do not contain consolidated financial information as the parent of a group.

The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Vent-Rite Valve Corporation, a company incorporated in Massachusetts, USA.

Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 January 2018 have had a material effect on the financial statements.

None of the standards, interpretations and amendments which are effective for periods beginning after 1 January 2018 and which have not been adopted early, are expected to have a material effect on the financial statements.

SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

Revenue recognition

Recognition

The company earns revenue from the manufacture and sale of heating and cooling products for domestic and commercial applications. This revenue is recognised in the accounting period when control of the product has been transferred, at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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 taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Property, plant and equipment

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Plant and machinery	10% - 20% Straight Line
Fixtures, fittings and equipment	10% - 33% Straight Line
Motor Vehicle	25% Straight Line

SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

Intangible assets

Separately acquired trademarks and licences are shown at historical cost.

Trademarks, licences (including software) and customer-related intangible assets acquired in a business combination are recognised at fair value at the acquisition date.

Trademarks, licences and customer-related intangible assets have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life.

Asset class	Amortisation method and rate
Patents	Straight line over expected useful life

Investments

Investments in securities are classified on initial recognition as available-for-sale and are carried at fair value, except where their fair value cannot be measured reliably, in which case they are carried at cost, less any impairment.

Unrealised holding gains and losses other than impairments are recognised in other comprehensive income. On maturity or disposal, net gains and losses previously deferred in accumulated other comprehensive income are recognised in income.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised as non-current assets of the company at the lower of their fair value at the date of commencement of the lease and at the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance costs in the income statement and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

Financial instruments

Initial recognition

Financial assets and financial liabilities comprise all assets and liabilities reflected in the statement of financial position, although excluding property, plant and equipment, investment properties, intangible assets, deferred tax assets, prepayments, deferred tax liabilities and employee benefits plan.

The company recognises financial assets and financial liabilities in the statement of financial position when, and only when, the company becomes party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

All regular way purchases and sales of financial assets and financial liabilities classified as fair value through profit or loss ("FVTPL") are recognised on the trade date, i.e. the date on which the company commits to purchase or sell the financial assets or financial liabilities. All regular way purchases and sales of other financial assets and financial liabilities are recognised on the settlement date, i.e. the date on which the asset or liability is received from or delivered to the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the time frame generally established by regulation or convention in the market place.

Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

3 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2018	2017
	£	£
Sale of goods	<u>6,783,191</u>	<u>5,492,706</u>

SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

4 Operating profit

Arrived at after charging/(crediting)

	2018	2017
	£	£
Depreciation expense	17,473	25,466
Amortisation expense	2,337	1,547
Operating lease expense - property	116,328	106,992
Profit on disposal of property, plant and equipment	-	(400)

5 Finance income and costs

	2018	2017
	£	£
Finance income		
Interest income on bank deposits	719	1,239

6 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2018	2017
	£	£
Wages and salaries	2,196,564	1,991,328
Pension costs, defined contribution scheme	19,225	10,740
	<u>2,215,789</u>	<u>2,002,068</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2018	2017
	No.	No.
Production	38	41
Administration and support	8	8
Research and development	5	4
Sales, marketing and distribution	9	8
	<u>60</u>	<u>61</u>

7 Auditors' remuneration

	2018	2017
	£	£
Audit of the financial statements	<u>20,000</u>	<u>19,500</u>

SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

8 Income tax

Tax charged/(credited) in the income statement

	2018 £	2017 £
Current taxation		
UK corporation tax	60,390	53,650
Deferred taxation		
Arising from origination and reversal of temporary differences	(1,483)	(2,997)
Tax expense in the income statement	<u>58,907</u>	<u>50,653</u>

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2017 - the same as the standard rate of corporation tax in the UK) of 19% (2017 - 19.25%).

The differences are reconciled below:

	2018 £	2017 £
Profit before tax	<u>307,988</u>	<u>247,473</u>
Corporation tax at standard rate	58,518	47,630
Increase (decrease) from effect of capital allowances depreciation	(2,663)	3,238
Increase (decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	4,534	2,782
Deferred tax expense (credit) from unrecognised temporary difference from a prior period	<u>(1,482)</u>	<u>(2,997)</u>
Total tax charge	<u>58,907</u>	<u>50,653</u>
Deferred tax		

Deferred tax movement during the year:

	At 1 January 2018 £	Recognised in income £	At 31 December 2018 £
Provisions	<u>1,119</u>	<u>1,482</u>	<u>2,601</u>

SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

9 Property, plant and equipment

	Furniture, fittings and equipment £	Motor vehicles £	Other property, plant and equipment £	Total £
Cost or valuation				
At 1 January 2017	624,426	13,487	1,436,669	2,074,582
Disposals	(1,560)	-	-	(1,560)
At 31 December 2017	622,866	13,487	1,436,669	2,073,022
At 1 January 2018	622,866	13,487	1,436,669	2,073,022
Additions	21,854	-	-	21,854
At 31 December 2018	644,720	13,487	1,436,669	2,094,876
Depreciation				
At 1 January 2017	592,650	7,940	1,407,579	2,008,169
Charge for year	13,442	2,135	9,889	25,466
Eliminated on disposal	(1,560)	-	-	(1,560)
At 31 December 2017	604,532	10,075	1,417,468	2,032,075
At 1 January 2018	604,532	10,075	1,417,468	2,032,075
Charge for the year	8,258	1,903	7,311	17,472
At 31 December 2018	612,790	11,978	1,424,779	2,049,547
Carrying amount				
At 31 December 2018	31,930	1,509	11,890	45,329
At 31 December 2017	18,334	3,412	19,201	40,947
At 1 January 2017	31,776	5,547	29,090	66,413

SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

10 Intangible assets

	Trademarks, patents and licenses £	Other intangible assets £	Total £
Cost or valuation			
At 1 January 2017	130,150	161,531	291,681
Additions	7,180	-	7,180
At 31 December 2017	137,330	161,531	298,861
At 1 January 2018	137,330	161,531	298,861
Additions	7,245	-	7,245
At 31 December 2018	144,575	161,531	306,106
Amortisation			
At 1 January 2017	125,972	161,531	287,503
Amortisation charge	1,547	-	1,547
At 31 December 2017	127,519	161,531	289,050
At 1 January 2018	127,519	161,531	289,050
Amortisation charge	2,337	-	2,337
At 31 December 2018	129,856	161,531	291,387
Carrying amount			
At 31 December 2018	14,719	-	14,719
At 31 December 2017	9,811	-	9,811
At 1 January 2017	4,178	-	4,178

11 Investments

Subsidiaries	£
Cost or valuation	
At 1 January 2017	2
At 31 December 2017	2
At 1 January 2018	2
At 31 December 2018	2
Provision	
Carrying amount	
At 31 December 2018	2
At 1 January 2017	2

SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

Details of the subsidiaries as at 31 December 2018 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2018	2017
Smith's Enviromental Systems Limited	Design and manufacture of heat pumps & fan coils for commercial use	England	100%	100%

12 Inventories

	31 December 2018	31 December 2017
	£	£
Raw materials and consumables	533,276	426,604
Work in progress	46,692	54,715
Finished goods and goods for resale	206,118	256,731
	<u>786,086</u>	<u>738,050</u>

13 Trade and other receivables

	31 December 2018	31 December 2017
	£	£
Trade receivables	1,176,958	940,021
Receivables from related parties	2,187	1,615
Prepayments	71,067	82,830
	<u>1,250,212</u>	<u>1,024,466</u>

14 Cash and cash equivalents

	31 December 2018	31 December 2017
	£	£
Cash on hand	144	306
Cash at bank	130,223	245,381
	<u>130,367</u>	<u>245,687</u>

SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

15 Share capital

Allotted, called up and fully paid shares

	31 December 2018		31 December 2017	
	No.	£	No.	£
Ordinary Shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

16 Obligations under leases and hire purchase contracts

Operating leases

The total future value of non-cancellable minimum lease payments is as follows:

	2018 £	2017 £
Within one year	135,000	106,992
In two to five years	<u>540,000</u>	<u>427,968</u>
	<u>675,000</u>	<u>534,960</u>

17 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £19,225 (2017 - £10,740).

18 Trade and other payables

	31 December 2018 £	31 December 2017 £
Trade payables	577,926	751,846
Accrued expenses	192,064	237,461
Social security and other taxes	119,816	55,854
Other payables	<u>83,613</u>	<u>14,845</u>
	<u>973,419</u>	<u>1,060,006</u>

19 Dividends

	2018 £	2017 £
Final dividend of £Nil (2017 - £147.56) per ordinary share	-	147,564

SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

20 Related party transactions

Summary of transactions with parent entities

In 2018 the dividend paid to VRVP was £nil (2017: £147,564).

Income and receivables from related parties

	Smiths Environmental Systems Ltd £	Emerson Swan Inc. £
2018		
Sale of goods	-	1,481,451
Amounts receivable from related party	2,187	271,093
2017		
Sale of goods	-	1,375,096
Amounts receivable from related party	1,615	62,959

Expenditure with and payables to related parties

	Swan Group LLC £	Global Water Solutions UK £	Vent-Rite Valve Corp. £
2018			
Marketing & promotion	-	-	67,088
Amounts payable to related party	80,000	-	-
2017			
Purchase of goods		390	-
Marketing & promotion		-	39,381
		390	39,381

SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

21 Parent and ultimate parent undertaking

The company's immediate parent is Vent-Rite Valve Corporation.

Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is Vent-Rite Valve Corporation, incorporated in Massachusetts, USA.

The address of Vent-Rite Valve Corporation is:

1875 Dewey Ave.

Benton Harbor

MI 49022

Vent Rite Valve Corporation has 100% shareholding in the issued share capital of the company.

SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

Detailed Income Statement for the Year Ended 31 December 2018

	2018	2017
	£	£
Revenue (analysed below)	6,783,191	5,492,706
Cost of sales (analysed below)	<u>(3,884,505)</u>	<u>(2,904,843)</u>
Gross profit	2,898,686	2,587,863
Gross profit (%)	42.73%	47.11%
Distribution costs (analysed below)	(1,030,387)	(861,813)
Administrative expenses (analysed below)	(1,561,030)	(1,480,216)
Other gains (analysed below)	<u>-</u>	<u>400</u>
Operating profit	307,269	246,234
Finance income (analysed below)	<u>719</u>	<u>1,239</u>
Profit before tax	<u><u>307,988</u></u>	<u><u>247,473</u></u>

This page does not form part of the statutory financial statements.

SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

Detailed Income Statement for the Year Ended 31 December 2018

	2018 £	2017 £
Revenue		
Sales - UK	4,922,027	3,772,343
Sales - Europe	178,222	197,104
Sales - Rest of world	1,645,594	1,518,814
Carriage	37,348	4,445
	<u>6,783,191</u>	<u>5,492,706</u>
Cost of sales		
Opening stock	(738,050)	(424,276)
Purchases	(2,559,780)	(1,846,181)
Rebates	(400,618)	(391,874)
Closing stock	786,086	738,050
Direct wages and salaries	(742,706)	(728,285)
Employer's NI contributions	(59,003)	(65,144)
Staff pensions (Other)	(6,468)	(4,497)
Packaging	(96,542)	(103,540)
Repairs to plant and machinery	(47,945)	(58,197)
Carriage inwards	(12,168)	(11,010)
Depreciation on plant and machinery	(7,311)	(9,889)
	<u>(3,884,505)</u>	<u>(2,904,843)</u>
Distribution costs		
Agents commissions	(72,321)	(62,154)
Carriage outwards	(121,519)	(109,972)
Reps Salaries	(409,456)	(310,396)
Reps employers NI	(39,825)	(34,598)
Reps pension costs	(5,272)	(2,253)
Reps motor running expenses	(63,528)	(48,917)
Reps travel and subsistence	(30,281)	(19,049)
Reps entertaining	(10,804)	(8,315)
Reps accomodation	(21,086)	(18,141)
Exhibition costs	(7,387)	(5,787)
Marketing, demonstration & public relations	(149,171)	(133,404)
VRVP promotion	(54,530)	(39,380)
Advertising & brochures	(45,207)	(69,447)
	<u>(1,030,387)</u>	<u>(861,813)</u>
Administrative expenses		
Staff pensions cost	(7,485)	(3,990)
Motor expenses	(1,441)	(2,262)
Discounts allowed	(4,130)	(2,395)
Royalties payable	(11,436)	(10,398)

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SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

Detailed Income Statement for the Year Ended 31 December 2018

	2018 £	2017 £
Rates	(56,585)	(59,235)
Light and heat	(60,705)	(61,663)
Insurance	(28,434)	(25,940)
Repairs and maintenance	(56,770)	(58,997)
Depreciation of fixtures and fittings	(8,259)	(13,442)
Depreciation on motor vehicles	(1,903)	(2,135)
Indirect wages	(285,784)	(299,020)
Employer's NI contributions	(85,471)	(76,266)
Wages and salaries	(574,319)	(477,619)
Telephone	(21,217)	(20,584)
Computer software and maintenance	(92,864)	(86,945)
Printing, postage and stationery	(29,959)	(26,884)
Subscriptions	(7,469)	(6,022)
Charitable donations	(600)	(500)
Cleaning	(7,189)	(7,715)
Quality and testing cost	(49,252)	(65,584)
Travel and subsistence	(38,601)	(50,990)
Operating lease rentals - land & blds	(116,328)	(106,992)
Legal and professional	(122,605)	(97,238)
Bank charges	(3,347)	(3,316)
Entertaining	(13,057)	(6,540)
Audit	(20,000)	(19,500)
Amortisation of patents	(2,337)	(1,547)
Profit/loss on foreign currency transactions	176,073	142,613
Canteen and staff welfare	(15,633)	(16,916)
General expenses	(243)	(25)
Warranty	(13,680)	(12,169)
	<u>(1,561,030)</u>	<u>(1,480,216)</u>
Other gains/(losses)		
(Profit)/loss on disposal of tangible fixed assets	<u>-</u>	<u>400</u>
Finance income		
Bank interest received	<u>719</u>	<u>1,239</u>

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