

# SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

Annual Report and Financial Statements  
for the Year Ended 31 December 2022

# SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

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# SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

## Company Information

<b>Directors</b>	T J Swan Esq K T Swan Esq
<b>Company secretary</b>	D Rolston Esq
<b>Registered office</b>	Units 1 & 2 Blackall Industrial Estate South Woodham Ferrers Chelmsford Essex CM3 5UW
<b>Bankers</b>	Barclays Bank Plc 183 High Street Epping Essex CM19 4BH
<b>Auditors</b>	Pearlman Rose Chartered Accountants & Statutory Auditors 39-40 Skylines Village Limeharbour London E14 9TS

# **SMITH'S ENVIRONMENTAL PRODUCTS 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' of the company**

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

T J Swan Esq

K T 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 10 July 2023 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 UK adopted International Financial Reporting Standards (IFRSs). 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 UK adopted International Financial Reporting Standards (IFRSs) 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 2022, 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 UK adopted International Financial Reporting Standards (IFRSs).

In our opinion the financial statements:

- give a true and fair view of the state 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 UK adopted IFRSs; 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 director's 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 for a period of at least twelve months from when the original financial statements were authorised for issue.

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

### **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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

### **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 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- enquiry of management about the Group's policies, procedures and related controls regarding compliance with laws and regulations and if there are any known instances of non-compliance;
- examining supporting documents for all material balances, transactions and disclosures;
- review of the board meeting minutes;
- enquiry of management and review and inspection of relevant correspondence;

## **SMITH'S ENVIRONMENTAL PRODUCTS LIMITED**

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

- evaluation of the selection and application of accounting policies related to subjective measurements and complex transactions;
- analytical procedures to identify any unusual or unexpected relationships;
- testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; and
- review of accounting estimates for biases.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Use of our report**

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

.....

Mohammad Jilani (Senior Statutory Auditor)

For and on behalf of Pearlman Rose, Statutory Auditor

39-40 Skylines Village

Limeharbour

London

E14 9TS

14 July 2023



# SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

## Income Statement for the Year Ended 31 December 2022

	Note	2022 £	2021 £
Revenue	<u>3</u>	7,201,120	6,481,355
Cost of sales		<u>(4,293,146)</u>	<u>(3,864,043)</u>
Gross profit		2,907,974	2,617,312
Distribution costs		(644,590)	(615,717)
Administrative expenses		(1,135,861)	(1,119,906)
Other operating income	<u>4</u>	-	8,186
Other gains		<u>2,730</u>	<u>-</u>
Operating profit	<u>5</u>	<u>1,130,253</u>	<u>889,875</u>
Finance income		672	766
Finance costs		<u>(41,244)</u>	<u>-</u>
Net finance (cost)/income	<u>6</u>	<u>(40,572)</u>	<u>766</u>
Profit before tax		1,089,681	890,641
Income tax (expense)/receipt	<u>9</u>	<u>(210,138)</u>	<u>43,925</u>
Profit for the year		<u><u>879,543</u></u>	<u><u>934,566</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 2022

	2022 £	2021 £
Profit for the year	<u>879,543</u>	<u>934,566</u>
Total comprehensive income for the year	<u><u>879,543</u></u>	<u><u>934,566</u></u>

# SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

(Registration number: 02607831)

## Statement of Financial Position as at 31 December 2022

	Note	31 December 2022 £	31 December 2021 £
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<u>11</u>	19,515	1
Right of use assets	<u>10</u>	438,749	-
Intangible assets	<u>12</u>	15,562	17,447
Investments in subsidiaries, joint ventures and associates		<u>2</u>	<u>2</u>
		<u>473,828</u>	<u>17,450</u>
<b>Current assets</b>			
Inventories	<u>14</u>	1,322,633	992,777
Trade and other receivables	<u>15</u>	1,085,124	1,011,478
Cash and cash equivalents	<u>16</u>	1,103,797	1,219,037
		<u>3,511,554</u>	<u>3,223,292</u>
Total assets		<u><u>3,985,382</u></u>	<u><u>3,240,742</u></u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	<u>17</u>	(1,000)	(1,000)
Share premium		(59,400)	(59,400)
Retained earnings		<u>(2,173,483)</u>	<u>(2,007,879)</u>
Total equity		<u>(2,233,883)</u>	<u>(2,068,279)</u>
<b>Non-current liabilities</b>			
Long term lease liabilities		(353,621)	-
Deferred tax liabilities	<u>9</u>	<u>1,016</u>	<u>2,871</u>
		<u>(352,605)</u>	<u>2,871</u>
<b>Current liabilities</b>			
Current portion of long term lease liabilities		(111,060)	-
Trade and other payables	<u>21</u>	(1,079,551)	(1,004,633)
Income tax liability		<u>(208,283)</u>	<u>(170,701)</u>
		<u>(1,398,894)</u>	<u>(1,175,334)</u>
Total liabilities		<u>(1,751,499)</u>	<u>(1,172,463)</u>
Total equity and liabilities		<u><u>(3,985,382)</u></u>	<u><u>(3,240,742)</u></u>

The notes on pages 13 to 29 form an integral part of these financial statements.

**SMITH'S ENVIRONMENTAL PRODUCTS LIMITED**

**(Registration number: 02607831)**

**Statement of Financial Position as at 31 December 2022**

Approved and authorised by the Board on 10 July 2023 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.

# SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

## Statement of Changes in Equity for the Year Ended 31 December 2022

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 January 2022	1,000	59,400	2,007,879	2,068,279
Profit for the year	-	-	879,543	879,543
Total comprehensive income	-	-	879,543	879,543
Dividends	-	-	(713,939)	(713,939)
At 31 December 2022	1,000	59,400	2,173,483	2,233,883

  

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 January 2021	1,000	59,400	1,623,313	1,683,713
Profit for the year	-	-	934,566	934,566
Total comprehensive income	-	-	934,566	934,566
Dividends	-	-	(550,000)	(550,000)
At 31 December 2021	1,000	59,400	2,007,879	2,068,279

# SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

## Statement of Cash Flows for the Year Ended 31 December 2022

	Note	2022 £	2021 £
<b>Cash flows from operating activities</b>			
Profit for the year		879,543	934,566
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	<u>5</u>	6,729	11,042
Depreciation on right of use assets		109,688	-
Profit on disposal of property plant and equipment		(2,730)	-
Finance income	<u>6</u>	(672)	(766)
Finance costs	<u>6</u>	41,244	-
Income tax expense	<u>9</u>	210,138	(43,925)
		1,243,940	900,917
Working capital adjustments			
Increase in inventories	<u>14</u>	(329,856)	(251,421)
(Increase)/decrease in trade and other receivables	<u>15</u>	(73,646)	261,381
Increase/(decrease) in trade and other payables	<u>21</u>	74,918	(32,108)
Increase in lease liability		24,069	-
		939,425	878,769
Cash generated from operations			
Income taxes (paid)/received	<u>9</u>	(170,701)	98,191
Net cash flow from operating activities		768,724	976,960
<b>Cash flows from investing activities</b>			
Interest received	<u>6</u>	672	766
Acquisitions of property plant and equipment		(22,141)	-
Proceeds from sale of property plant and equipment		2,730	-
Acquisition of intangible assets	<u>12</u>	(2,217)	(2,246)
Net cash flows from investing activities		(20,956)	(1,480)
<b>Cash flows from financing activities</b>			
Interest expense on leases		(41,244)	-
Payments to finance lease creditors		(107,825)	-
Dividends paid	<u>23</u>	(713,939)	(550,000)
Net cash flows from financing activities		(863,008)	(550,000)
Net (decrease)/increase in cash and cash equivalents		(115,240)	425,480
Cash and cash equivalents at 1 January		1,219,037	793,557
Cash and cash equivalents at 31 December		1,103,797	1,219,037

# **SMITH'S ENVIRONMENTAL PRODUCTS LIMITED**

## **Notes to the Financial Statements for the Year Ended 31 December 2022**

### **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 UK ("UK adopted IFRSs").

#### **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 2022 have had a material effect on the financial statements except for those that have been incorporated in these accounts.

None of the standards, interpretations and amendments which are effective for periods beginning after 1 January 2022 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 2022

### Changes resulting from adoption of IFRS 16

IFRS 16 Leases became mandatorily effective on 1 January 2019. The company has applied this for the first time in this accounting period which resulted in changes to the accounting policies.

The company transitioned to IFRS 16 using the modified retrospective approach and as a result the cumulative effect of initial application is recognised in retained earnings at 1 January 2022. The prior period figures were not adjusted.

On adoption of IFRS 16, the company elected to apply the relief provisions available and has not reviewed contracts under the definition of a lease per IFRS 16, which had previously not been classified as leases under the principles of IAS 17. Therefore, only contracts entered into or modified on or after 1 January 2022 have the definition of a lease per IFRS 16 applied.

In addition, the company decided to apply recognition exemptions to leases with a term not exceeding 12 months and leases where the underlying assets are of low value.

For leases classified as operating leases under IAS 17, these lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2022. The company has used the following practical expedients permitted by IFRS 16 when applying this for the first time to leases previously classified as operating leases:

- Applied a single discount rate to a portfolio of leases with similar characteristics
- Applied the exemption not to recognise liabilities for leases with less than 12 months of lease term remaining
- Excluded initial direct costs for the measurement of right-to-use assets at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

Right-of-use assets are measured at either:

- Their carrying amount as if IFRS 16 has been applied since commencement, discounted using the lessee's incremental borrowing rate at the date of initial application
- An amount equal to the lease liability, adjusted for any prepaid or accrued lease payments

No adjustments are required on transition to IFRS 16 for leases where the company acts as a lessor, except for a sub-lease. A reassessment of the classification of a sub-lease is required under IFRS 16.

The company recognised lease liabilities in relation to leases that were classified as 'operating leases' under the principles of IAS 17 - Leases. On transition, an additional £591,096 (2021 - £Nil) of right-to-use assets and £Nil (2021 - £Nil) of lease liabilities were recognised with the difference allocated to retained earnings.

	As originally reported 31 December 2021 £
Note	
Operating lease commitments at 31 December 2021	591,096
Operating lease commitments discounted at the incremental borrowing rate	(18,591)
Lease liabilities recognised at 1 January 2022	<u>572,505</u>



# SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

## Notes to the Financial Statements for the Year Ended 31 December 2022

These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2022. The weighted average rate applied was 3%.

### 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.

### Government grants

A grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised in income in the period in which it becomes receivable.

### 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
Right of use of assets	Over the lease term

# SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

## Notes to the Financial Statements for the Year Ended 31 December 2022

### 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 2022

### 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

#### *Initial recognition and measurement*

The company initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.

The lease liability is measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate.

The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the company's initial direct costs (e.g., commissions) and an estimate of restoration, removal and dismantling costs.

#### *Subsequent measurement*

After the commencement date, the company measures the lease liability by:

- (a) Increasing the carrying amount to reflect interest on the lease liability;
- (b) Reducing the carrying amount to reflect the lease payments made; and
- (c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments or on the occurrence of other specific events.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest charges are [presented separately as non-operating /included in finance cost] in the income statement, unless the costs are included in the carrying amount of another asset applying other applicable standards. Variable lease payments not included in the measurement of the lease liability, are included in operating expenses in the period in which the event or condition that triggers them arises.

The related right-of-use asset is accounted for using the Cost model in IAS 16 and depreciated and charged in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment as disclosed in the accounting policy for Property, plant and equipment. Adjustments are made to the carrying value of the right of use asset where the lease liability is re-measured in accordance with the above. Right of use assets are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in the accounting policy in impairment.

## **SMITH'S ENVIRONMENTAL PRODUCTS LIMITED**

### **Notes to the Financial Statements for the Year Ended 31 December 2022**

#### *Lease modifications*

If a lease is modified, the modified contract is evaluated to determine whether it is or contains a lease. If a lease continues to exist, the lease modification will result in either a separate lease or a change in the accounting for the existing lease.

The modification is accounted for as a separate lease if both:

- (a) The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- (b) The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate lease. The company then accounts for these in line with the accounting policy for new leases.

If either of the conditions are not met, the modified lease is not accounted for as a separate lease and the consideration is allocated to the contract and the lease liability is re-measured using the lease term of the modified lease and the discount rate as determined at the effective date of the modification.

For a modification that fully or partially decreases the scope of the lease (e.g., reduces the square footage of leased space), IFRS 16 requires a lessee to decrease the carrying amount of the right-of-use asset to reflect partial or full termination of the lease. Any difference between those adjustments is recognised in profit or loss at the effective date of the modification.

For all other lease modifications which are not accounted for as a separate lease, IFRS 16 requires the lessee to recognise the amount of the re-measurement of the lease liability as an adjustment to the corresponding right-of-use asset without affecting profit or loss.

#### *Short term and low value leases*

The company has made an accounting policy election, by class of underlying asset, not to recognise lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e., short-term leases).

The company has made an accounting policy election on a lease-by-lease basis, not to recognise lease assets on leases for which the underlying asset is of low value.

Lease payments on short term and low value leases are accounted for on a straight line bases over the term of the lease or other systematic basis if considered more appropriate. Short term and low value lease payments are included in operating expenses in the income statement.

#### **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 2022

### 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:

	2022	2021
	£	£
Sale of goods	7,201,120	6,481,355

### 4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2022	2021
	£	£
Government grants	-	8,186

# SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

## Notes to the Financial Statements for the Year Ended 31 December 2022

### 5 Operating profit

Arrived at after charging/(crediting)

	2022	2021
	£	£
Depreciation expense	2,627	6,913
Depreciation on right of use assets - property	109,688	-
Amortisation expense	4,102	4,129
Operating lease expense - property	-	125,040
Profit on disposal of property, plant and equipment	(2,730)	-

### 6 Finance income and costs

	2022	2021
	£	£
<b>Finance income</b>		
Interest income on bank deposits	672	766
<b>Finance costs</b>		
Interest expense on leases - Property	(41,244)	-
Net finance (costs)/income	(40,572)	766

### 7 Staff costs

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

	2022	2021
	£	£
Wages and salaries	1,820,584	1,715,466
Pension costs, defined contribution scheme	36,802	36,847
	1,857,386	1,752,313

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

	2022	2021
	No.	No.
Production	27	27
Administration and support	8	8
Research and development	4	3
Sales, marketing and distribution	6	6
	45	44

# SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

## Notes to the Financial Statements for the Year Ended 31 December 2022

### 8 Auditors' remuneration

	2022 £	2021 £
Audit of the financial statements	23,360	22,945

### 9 Income tax

Tax charged/(credited) in the income statement

	2022 £	2021 £
<b>Current taxation</b>		
UK corporation tax	208,283	170,701
UK corporation tax adjustment to prior periods	-	(214,136)
	208,283	(43,435)
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	1,855	(490)
Tax expense/(receipt) in the income statement	210,138	(43,925)

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2021 - the same as the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

	2022 £	2021 £
Profit before tax	1,089,681	890,641
Corporation tax at standard rate	211,613	168,271
(Decrease)/increase from effect of capital allowances depreciation	(5,279)	490
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	1,949	1,940
Deferred tax expense/(credit) from unrecognised temporary difference from a prior period	1,855	(490)
Decrease from effect of adjustment in research development tax credit	-	(214,136)
Total tax charge/(credit)	210,138	(43,925)

### Deferred tax

Deferred tax movement during the year:

# SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

## Notes to the Financial Statements for the Year Ended 31 December 2022

	At 1 January 2022 £	Recognised in income £	At 31 December 2022 £
Provisions	2,871	(1,855)	1,017
	<u>2,871</u>	<u>(1,855)</u>	<u>1,017</u>

### 10 Right of use assets

	Property £	Total £
<b>Cost or valuation</b>		
Additions	<u>877,500</u>	<u>877,500</u>
At 31 December 2022	<u>877,500</u>	<u>877,500</u>
<b>Depreciation</b>		
Charge for the year	<u>438,751</u>	<u>438,751</u>
At 31 December 2022	<u>438,751</u>	<u>438,751</u>
<b>Carrying amount</b>		
At 31 December 2022	<u>438,749</u>	<u>438,749</u>



# SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

## Notes to the Financial Statements for the Year Ended 31 December 2022

### 11 Property, plant and equipment

	<b>Furniture, fittings and equipment £</b>	<b>Motor vehicles £</b>	<b>Other property, plant and equipment £</b>	<b>Total £</b>
<b>Cost or valuation</b>				
At 1 January 2021	644,720	13,487	1,436,669	2,094,876
At 31 December 2021	644,720	13,487	1,436,669	2,094,876
At 1 January 2022	644,720	13,487	1,436,669	2,094,876
Additions	9,691	12,450	-	22,141
Disposals	-	(12,607)	-	(12,607)
At 31 December 2022	654,411	13,330	1,436,669	2,104,410
<b>Depreciation</b>				
At 1 January 2021	637,806	13,487	1,436,669	2,087,962
Charge for year	6,913	-	-	6,913
At 31 December 2021	644,719	13,487	1,436,669	2,094,875
At 1 January 2022	644,719	13,487	1,436,669	2,094,875
Charge for the year	1,062	1,565	-	2,627
Eliminated on disposal	-	(12,607)	-	(12,607)
At 31 December 2022	645,781	2,445	1,436,669	2,084,895
<b>Carrying amount</b>				
At 31 December 2022	8,630	10,885	-	19,515
At 31 December 2021	1	-	-	1
At 1 January 2021	6,914	-	-	6,914

# SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

## Notes to the Financial Statements for the Year Ended 31 December 2022

### 12 Intangible assets

	Trademarks, patents and licenses £	Other intangible assets £	Total £
<b>Cost or valuation</b>			
At 1 January 2021	154,032	161,531	315,563
Additions	2,246	-	2,246
At 31 December 2021	156,278	161,531	317,809
At 1 January 2022	156,278	161,531	317,809
Additions	2,217	-	2,217
At 31 December 2022	158,495	161,531	320,026
<b>Amortisation</b>			
At 1 January 2021	134,703	161,531	296,234
Amortisation charge	4,128	-	4,128
At 31 December 2021	138,831	161,531	300,362
At 1 January 2022	138,831	161,531	300,362
Amortisation charge	4,102	-	4,102
At 31 December 2022	142,933	161,531	304,464
<b>Carrying amount</b>			
At 31 December 2022	15,562	-	15,562
At 31 December 2021	17,447	-	17,447
At 1 January 2021	19,329	-	19,329

### 13 Investments

<b>Subsidiaries</b>	£
<b>Cost or valuation</b>	
At 1 January 2021	2
At 31 December 2021	2
At 1 January 2022	2
At 31 December 2022	2
<b>Provision</b>	
<b>Carrying amount</b>	
At 31 December 2022	2
At 1 January 2021	2

# SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

## Notes to the Financial Statements for the Year Ended 31 December 2022

Details of the subsidiaries as at 31 December 2022 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2022	2021
Smith's Enviromental Systems Limited	Design and manufacture of heat pumps & fan coils for commercial use	England	100%	100%

### 14 Inventories

	31 December 2022	31 December 2021
	£	£
Raw materials and consumables	1,026,269	686,149
Work in progress	122,114	136,433
Finished goods and goods for resale	174,250	170,195
	<u>1,322,633</u>	<u>992,777</u>

### 15 Trade and other receivables

	31 December 2022	31 December 2021
	£	£
<b>Current</b>		
Trade receivables	971,113	904,674
Receivables from related parties	2,796	2,783
Prepayments	111,215	100,506
Other receivables	-	3,515
	<u>1,085,124</u>	<u>1,011,478</u>

### 16 Cash and cash equivalents

	31 December 2022	31 December 2021
	£	£
Cash on hand	237	526
Cash at bank	1,103,560	1,218,511
	<u>1,103,797</u>	<u>1,219,037</u>

# SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

## Notes to the Financial Statements for the Year Ended 31 December 2022

### 17 Share capital

#### Allotted, called up and fully paid shares

	31 December 2022		31 December 2021	
	No.	£	No.	£
Ordinary Shares of £1 each	1,000	1,000	1,000	1,000

### 18 Obligations under leases and hire purchase contracts

#### Operating leases

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

	2022 £	2021 £
Within one year	-	125,000
In two to five years	-	466,096
	-	591,096

The short-term lease commitments of the company as at the year end are £Nil (2021 - £Nil). The company has elected to apply paragraph 6 of IFRS 16 and has recognised the lease payments associated with the short-term leases as an expense.

# SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

## Notes to the Financial Statements for the Year Ended 31 December 2022

### 19 Leases

#### Lease liabilities maturity analysis

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

	31 December 2022 £	31 December 2021 £
Less than one year	111,060	-
2 years	114,391	-
3 years	117,823	-
4 years	121,407	-
Total lease liabilities (undiscounted)	464,681	-

#### Total cash outflows related to leases

Total cash outflows related to leases are presented in the table below:

	31 December 2022 £	31 December 2021 £
<b>Payment</b>		
Right of use assets	107,825	-
Interest	17,175	-
Total cash outflow	125,000	-

### 20 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 £36,802 (2021 - £36,847).

# SMITH'S ENVIRONMENTAL PRODUCTS LIMITED

## Notes to the Financial Statements for the Year Ended 31 December 2022

### 21 Trade and other payables

	31 December 2022 £	31 December 2021 £
Trade payables	861,342	845,577
Accrued expenses	148,700	103,299
Social security and other taxes	52,713	42,203
Other payables	16,796	13,554
	<u>1,079,551</u>	<u>1,004,633</u>

### 22 Related party transactions

#### Income and receivables from related parties

	Smiths Environmental Systems Ltd £	Emerson Swan Inc. £
<b>2022</b>		
Sale of goods	-	1,663,554
Amounts receivable/(payable) from related party	<u>2,796</u>	<u>(124,988)</u>
<b>2021</b>		
Sale of goods	-	1,787,412
Amounts receivable from related party	<u>2,783</u>	<u>198,586</u>

#### Expenditure with and payables to related parties

	Vent-Rite Valve Corp. £
<b>2022</b>	
Marketing & promotion	<u>47,650</u>
<b>2021</b>	
Marketing & promotion	<u>46,401</u>

### 23 Dividends

	2022 £	2021 £
Interim dividend of £713.93 (2021 - £550.00) per ordinary share	713,939	550,000
	<u></u>	<u></u>

## **SMITH'S ENVIRONMENTAL PRODUCTS LIMITED**

### **Notes to the Financial Statements for the Year Ended 31 December 2022**

#### **24 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.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.