

Thermal Energy International (UK) Limited

**Directors' report and financial
statements**

Registered number 3123967

31 May 2018



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Directors and advisers

Directors

W M Crossland
J Zhang

Company Secretary

J Zhang

Registered Number

3123967

Registered office

1 John Street
Bristol
BS1 2HR

Independent Auditor

KPMG LLP
66 Queen Square
Bristol
BS1 4BE

Bankers

National Westminster Bank Plc
P O Box 238
32 Corn Street
Bristol
BS99 7UG

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 May 2018.

Principal activities

The principal activity of the Company is that of the development and marketing of energy management products.

Results

The results for the year are set out in the profit and loss account on page 6.

Political Donations

There were no political donations in the year (2017: £nil)

Dividends

The directors do not recommend the payment of a dividend (2017: £nil).

Directors

The directors who held office during the year and to the date of the approval of these accounts were as follows:

W M Crossland

J Flynn (resigned 31 July 2018)

J Zhang (appointed 1 August 2018)

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

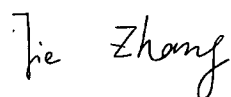
Auditor

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

This report has been prepared in accordance with the special provision of sections 415A of Companies Act 2006 relating to small entities; the Company has also taken advantage of the small companies exemption in section 414B from preparing a strategic report.

By order of the board

J Zhang
Director



1 John Street
Bristol
BS1 2HR

26th February 2019

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Thermal Energy International (UK) Limited

Opinion

We have audited the financial statements of Thermal Energy International (UK) Limited ("the company") for the year ended 31 May 2018 which comprise the Profit and Loss account and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the company's affairs as at 31 May 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with the UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

Independent auditor's report to the members of Thermal Energy International (UK) Limited (*continued*)

Directors' report (*continued*)

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

NChimes

Nathan Chrimes (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square
Bristol
BS1 4BE
26 February 2019

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 May 2018

	<i>Note</i>	2018 £	2017 £
Turnover	2	2,935,790	4,141,707
Cost of sales		(1,199,193)	(2,210,025)
Gross profit		<u>1,736,597</u>	<u>1,931,682</u>
Administrative expenses		(1,963,541)	(1,558,646)
Other operating income	3	3,414	3,413
Operating (loss)/profit		<u>(223,530)</u>	<u>376,449</u>
Interest receivable	7	-	526
Income from shares in subsidiary	7	10,152	10,151
Differences on foreign exchange	7	(843)	(38,566)
(Loss)/profit before taxation		<u>(214,221)</u>	<u>348,560</u>
Tax on profit/(loss)	8	68,112	(46,180)
(Loss)/profit for the financial year		<u><u>(146,109)</u></u>	<u><u>302,380</u></u>
Total comprehensive income for the year		<u><u>(146,109)</u></u>	<u><u>302,380</u></u>

There was no other comprehensive income for the current or preceding financial year other than that included in the profit and loss account. All results relate to continuing operations.

The notes on pages 9 to 19 form part of these financial statements.

Balance Sheet
at 31 May 2018

	Note	2018	2017
		£	£
Fixed assets			
Tangible assets	9	19,424	20,167
Investments	10	3,350	3,350
		<u>22,774</u>	<u>23,517</u>
Current assets			
Stock	11	212,665	217,997
Debtors	12	1,472,823	1,138,002
Cash at bank and in hand		347,844	462,674
		<u>2,033,332</u>	<u>1,818,673</u>
Creditors: amounts falling due within one year	13	<u>(1,324,645)</u>	<u>(964,620)</u>
Net current assets		<u>708,687</u>	<u>854,053</u>
Total assets less current liabilities		<u>731,461</u>	<u>877,570</u>
Provisions for liabilities			
Deferred tax liability	14	-	-
Net assets		<u>731,461</u>	<u>877,570</u>
Capital and reserves			
Called up share capital	15	1,287	1,287
Share premium account		92,713	92,713
Capital redemption reserve		37,000	37,000
Profit and loss account		600,461	746,570
Shareholders' funds		<u>731,461</u>	<u>877,570</u>

The notes on pages 9 to 19 form part of these financial statements.

These financial statements were approved by the board of directors on 26th February 2019 and were signed on its behalf by:

Jie Zhang

J Zhang
Director

Registered Number: 3123967

Statement of Changes in Equity
for the year ended 31 May 2018

	Called up Share capital £	Share premium account £	Capital contribution reserve £	Profit and loss account £	Total Equity £
Balance at 1 June 2016	1,287	92,713	37,000	444,190	575,190
<i>Total comprehensive income for the year</i>					
Profit or loss	-	-	-	302,380	302,380
Total comprehensive income for the year	-	-	-	302,380	302,380
Balance at 31 May 2017	1,287	92,713	37,000	746,570	877,570
Balance at 1 June 2017	1,287	92,713	37,000	746,570	877,570
<i>Total comprehensive income for the year</i>					
Profit or loss	-	-	-	(146,109)	(146,109)
Total comprehensive income for the year	-	-	-	(146,109)	(146,109)
Balance at 31 May 2018	1,287	92,713	37,000	600,461	731,461

The notes on pages 9 to 19 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Thermal Energy International (UK) Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*"). The presentation currency of these financial statements is sterling.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Separate financial instruments – carrying amount of the Company's cost of investment in subsidiaries is its deemed cost at 1 April 2014.

The Company's parent undertaking, Thermal Energy International Inc, includes the Company in its consolidated financial statements. The consolidated financial statements of Thermal Energy International Inc are available to the public and may be obtained from 36 Bentley Avenue, Ottawa, Ontario, Canada K2E 6T8. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Thermal Energy International Inc include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 21.

Notes (continued)

1 Accounting policies (continued)

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

On the basis of their assessment of the Company's financial position, with net assets at year end of £731,461 (2017: £877,570), and of the enquiries made of the directors of the Company's parent company, Thermal Energy International Inc, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Investments in subsidiaries

These are separate financial statements of the Company. Investments in subsidiaries are carried at cost less impairment.

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- Plant and machinery 5 years
- Motor vehicles 4 years
- Fixtures and fittings 5 years
- Computer equipment 3 years

Notes (continued)

1 Accounting policies (continued)

1.5 Tangible fixed assets (continued)

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

1.7 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.8 Turnover

Turnover comprises revenue recognised by the Company in respect of goods and services supplied during the year and the value of work carried out on long-term contracts at the balance sheet date, exclusive of Value Added Tax and trade discounts.

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty. The company uses a percentage of completion method to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of the total estimated costs for each contract. On contracts forecast to the loss-making, all the loss is recognised as soon as it is foreseen irrespective of the stage of completion of the contract.

1.9 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Notes (continued)

1 Accounting policies (continued)

1.10 Taxation

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.11 Other Income

Rental Income is recognised in line with the lessee's period of occupation.

2 Turnover

Turnover comprises:

	2018 £	2017 £
By activity:		
Sales – GEM product	1,616,095	1,859,158
Sales – Heat recovery	1,168,939	2,171,900
Delivery Charges	23,516	21,241
GEM servicing and surveys	127,240	89,408
	<u>2,935,790</u>	<u>4,141,707</u>
By geographical market:		
United Kingdom	1,644,892	2,184,505
Rest of European Union	481,326	1,252,299
Rest of World	809,572	704,903
	<u>2,935,790</u>	<u>4,141,707</u>

Notes (continued)

3 Other operating income

	2018 £	2017 £
Office rent received	3,414	3,413
	<u>3,414</u>	<u>3,413</u>

4 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2018 £	2017 £
Depreciation charge	12,760	10,312
	<u>12,760</u>	<u>10,312</u>

Auditor's remuneration:

	2018 £	2017 £
Audit of these financial statements	18,000	15,220
Amounts receivable by the Company's auditor in respect of:		
- Taxation compliance services	1,800	1,800
	<u>19,800</u>	<u>17,020</u>

5 Staff numbers and costs

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

	Number of employees	
	2018	2017
Production	4	4
Sales	8	7
Administration	10	10
	<u>22</u>	<u>21</u>

Notes (continued)

5 Staff numbers and cost (continued)

The aggregate payroll costs of these persons were as follows:

	2018 £	2017 £
Wages and salaries	892,107	767,602
Commission and incentive payments	153,305	300,669
Social security costs	146,627	133,744
Contributions to defined contribution plans	21,009	15,971
	<u>1,213,048</u>	<u>1,217,986</u>

6 Directors' remuneration

	2018 £	2017 £
Directors' remuneration	101,828	119,712
Contributions to defined contribution plans	2,713	2,634
	<u>104,541</u>	<u>122,346</u>

During the year, retirement benefits were accruing to one director (2017: one) in respect of defined contribution pension schemes.

In addition, during the year, £61,265 (2017: £61,832) was charged to the Company by the parent undertaking, Thermal Energy International Inc, relating to services performed by W M Crossland as a director of the Company.

7 Interest receivable and similar income / (expenditure)

	2018 £	2017 £
Interest receivable	-	526
Income from shares in subsidiary	10,152	10,151
Differences on foreign exchange	(843)	(38,566)

Notes (continued)

8 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2018 £	2017 £
<i>Current tax</i>		
Current tax on income for the year	-	100
Adjustment in respect of prior years	96	-
	<hr/>	<hr/>
Total current tax	96	100
<i>Deferred tax (see Note 14)</i>		
Origination and reversal of timing differences	439	46,820
Adjustment in respect of prior years	(68,647)	(740)
	<hr/>	<hr/>
Total deferred tax	(68,208)	46,080
	<hr/>	<hr/>
Total tax (credit)/expense	(68,112)	46,180
	<hr/>	<hr/>

Reconciliation of effective tax rate

	2018 £	2017 £
(Loss)/profit for the year	(146,109)	302,380
Total tax (credit)/expense	(68,112)	46,180
	<hr/>	<hr/>
(Loss)/profit excluding taxation	(214,221)	348,560
Tax using the UK corporation tax rate of 19% (2017: 19.83%)	(40,702)	66,227
Reduction in tax rate on deferred tax balances		(740)
Non-deductible expenses	13	38
Enhanced tax relief on R&D expenditure	(24,961)	(19,899)
Prior year adjustments	(2,462)	554
	<hr/>	<hr/>
Total tax (credit)/expense included in profit or loss	(68,112)	46,180
	<hr/>	<hr/>

Reductions in the UK corporation tax rate from 23% to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015.

An additional reduction to 17% (effective from 1 April 2020), was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge accordingly and reduce the deferred tax asset by £9,229.

Notes (continued)

9 Tangible fixed assets

	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
<i>Cost</i>					
At beginning of year	47,644	4,275	1,765	33,244	86,928
Additions	6,331			7,130	13,461
Disposals	(3,294)			(748)	(4,042)
At end of year	50,681	4,275	1,765	39,626	96,347
<i>Depreciation</i>					
At beginning of year	38,104	2,136	1,765	24,756	66,761
Charge for year	3,838	1,070		7,852	12,760
Disposals	(2,141)			(457)	(2,598)
At end of year	39,801	3,206	1,765	32,151	76,923
<i>Net book value</i>					
At 31 May 2018	10,880	1,069	-	7,475	19,424
At 31 May 2017	9,540	2,139	-	8,488	20,167

10 Fixed asset investments

	Investments in subsidiary companies £
<i>Cost or valuation</i>	
At beginning and end of year	3,350
<i>Net book value</i>	
At 31 May 2018	3,350
At 31 May 2017	3,350

The registered office of GemChem Limited is 1 John Street, Bristol, BS1 2HR.

Notes (continued)

10 Fixed asset investments (continued)

The undertakings in which the Company's interest at the year end is more than 20% are as follows:

<i>Subsidiary undertakings</i>	Country of incorporation	Principal activity	Class and percentage of shares held	
GemChem Limited	England	Marketing water treatment products and services	Ordinary	67%

GemChem Limited made a loss for the year ended 31 May 2018 of £9,033 (2017 profit: £43,790) and the aggregate of its share capital and reserves is £121,696 (2017: £145,610).

11 Stock

	2018 £	2017 £
Finished goods and goods for resale	212,665	217,997

£339,302 of stock has been recognised in Cost of Sales in the year (2017: £359,124)

12 Debtors

	2018 £	2017 £
Trade debtors	209,309	338,100
Amounts owed by group undertakings	1,031,138	715,413
Other debtors	22,789	-
Prepayments and accrued income	121,910	65,020
Deferred tax asset (see Note 14)	87,677	19,469
	1,472,823	1,138,002

Included within trade and other receivables is £Nil (2017: £Nil) expected to be recovered in more than 12 months. Amounts owed by group undertakings are interest free and repayable on demand.

13 Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	209,726	283,632
Other taxation and social security	30,587	21,897
Other creditors	2,415	3,306
Accruals and deferred income	624,977	655,785
Amounts owed to group undertaking	456,940	-
	1,324,645	964,620

Amounts owed to group undertakings are interest free and repayable on demand.

Notes (continued)

14 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2018 £	2017 £
Accelerated capital allowances	(3,691)	(3,832)
Unused tax losses	80,481	11,834
Other	10,887	11,467
	<hr/>	<hr/>
Net tax assets (see Note 13)	87,677	19,469
	<hr/>	<hr/>

15 Capital and Reserves

Share capital

	2018 £	2017 £
<i>Allotted, called up and fully paid</i>		
1,287 Ordinary shares of £1 each (2017: 1,287)	1,287	1,287
	<hr/>	<hr/>

Capital Redemption Reserve

The Capital Redemption Reserve arose on the redemption of Preference Shares on 30 November 2008.

16 Employee benefits

The Company operates a defined contribution pension scheme in respect of certain employees. The scheme and its assets are held by independent managers. The pension charge represents contributions paid by the Company and amounted to £21,009 (2017: £15,971). Contributions totalling £2,415 (2017: £3,306) were payable to the scheme at the year end and are included in creditors.

17 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2018 £	2017 £
Within one year	57,166	54,621
Between one and five years	44,902	26,694
	<hr/>	<hr/>
	102,068	81,315
	<hr/>	<hr/>

During the year £56,516 was recognised as an expense in the profit and loss account in respect of operating leases (2017: £50,116).

Notes (continued)

18 Commitments

The Company had no capital commitments as at 31 May 2018 (2017: £Nil).

19 Related parties

As the Company is a wholly owned subsidiary of Thermal Energy International Inc, the Company has taken advantage of the exemption contained in FRS 102.33 and has therefore not disclosed transactions with wholly owned subsidiaries which form part of the group.

During the year rental of workspace totalling £3,414 was paid to the Company by GemChem Limited (2017: £3,414).

At the end of the year there were no outstanding balances with related parties other than the balances with group companies shown in Note 12 and Note 13.

20 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Thermal Energy International Inc, a company incorporated and registered in Canada.

The largest and smallest group in which the results of the Company are consolidated is that headed by Thermal Energy International Inc. The consolidated accounts of this company are available to the public and may be obtained from the registered address of Thermal Energy International Inc at 36 Bentley Avenue, Ottawa, Ontario, Canada K2E 6T8.

21 Accounting estimates and judgements

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The judgements, estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of the valuation of assets and liabilities that are not readily apparent from other sources. The judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates and assumptions are recognized in the year in which they are revised and in any future years affected. Actual results may differ from these estimates, judgements and assumptions.

Key sources of estimation uncertainty

- Heat recovery solutions contract revenue:

The stage of completion of any heat recovery solutions contract is assessed by management by taking into consideration all information available at the reporting date. In this process, significant estimates are made about milestones and the estimated costs to complete work.

- Deferred tax assets:

Deferred tax assets are recognized for unused tax losses, tax credits and deductible timing differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. These estimates are reviewed at every reporting date. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of the reversal of existing timing differences, future taxable income and future tax planning strategies.