

Company registration number: 01362650

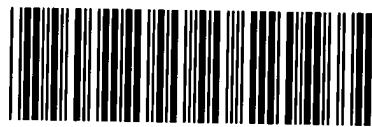
**ANNUAL REPORT AND FINANCIAL  
STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2017**

**HARVEY WATER  
SOFTENERS LIMITED**

FRIDAY



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# HARVEY WATER SOFTENERS LIMITED

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## COMPANY INFORMATION

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<b>Directors</b>	H W Bowden A P Bowden C Bowden M H Hurworth D Patterson (appointed 20 February 2017)
<b>Registered number</b>	01362650
<b>Registered office</b>	Hipley Street Old Woking Surrey GU22 9LQ
<b>Independent auditors</b>	Menzies LLP Woking Chartered Accountants & Statutory Auditor 1st Floor Midas House 62 Goldsworth Road Woking Surrey GU21 6LQ

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# HARVEY WATER SOFTENERS LIMITED

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# HARVEY WATER SOFTENERS LIMITED

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## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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### Business review and future developments

2017 saw strong revenue growth for Harvey Water Softeners Limited. This was driven by the retail domestic customer channel which grew significantly and marginally above plan. Reseller sales continued to grow and shipments to our European distributor grew significantly. Retail channel growth was made possible by investment in marketing and growing the capabilities of our retail team. Retail growth also influenced cash consumption due to the split of purchased and rental softeners sold.

We finished the year with greater than £600k cash available to the business from the £1m bank facility and a plan for greater cash generation alongside retail growth going forward. We are continuing to develop industry leading products through our research and development spend. Economic uncertainty is being negated by the strength of our business across product, overall offering and established routes to market.

Recruitment and retention of excellent people is at the centre of everything we do. We have continued building our employer brand, culminating in winning 'best company' and employee engagement awards. This aids growing our team for the growth to come.

Gross margin percentage has continued to hold strong as any input rises have been able to be negated through the strength of our position with suppliers and customers alike.

### Key performance indicators

	2017	2016	2015
Turnover	£26,488,225	£21,381,037	£23,454,693
Gross profit	£9,714,249	£8,116,402	£8,488,130
GP%	36.7%	38.0%	36.2%
Employee numbers	156	124	95

The above increase in turnover reflects the growth as detailed in the section above. Also, the increase in staff numbers reflects the recruitment policy adopted by the company.

### Principal risks and uncertainties

The management of the business and the execution of the group's strategy are subject to a number of risks.

The principal risks and uncertainties faced by the company are operational risk, reputational risk and product warranty risk. To a lesser extent the company also faces credit and liquidity risk.

Operational risk is managed and mitigated through the maintenance of appropriate systems, processes and controls, and training of staff, to maintain the quality of the production and installation of water softeners. Operational risk is further mitigated by public liability insurance.

As with any company that provides a product, product warranty, and the public perception of the quality of the product, is a risk. By maintaining high-quality production and installation practices, as well as excellent customer support and after-care, the product warranty risk is greatly reduced. We continuously strive to improve the quality and reliability of our softeners to reduce this risk, however, appropriate provisions have been calculated and included in the financials to mitigate the possible financial impact.

Credit risk is managed by ensuring the credit worthiness of clients and institutions where cash is deposited. Liquidity risk is mitigated by daily monitoring of cash requirements to ensure sufficient cash reserves are in place to meet actual and forecast requirements of the group.

Whilst the company is not immune to the effects of a macro-level recession in the economy, the business model is longterm and historic performance as shown that demand for the product is sustainable.

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# HARVEY WATER SOFTENERS LIMITED

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## STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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### Research and development

The company is at the forefront of water softener development and invests significant money into research and development in order to improve the quality and reliability of our softeners.

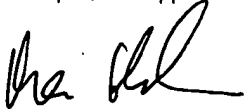
### Environmental policies

Through the development and implementation of new technology we aim to continuously reduce our carbon footprint and minimise any impact upon the environment.

### Going concern

Due to another profitable year, a very solvent balance sheet and no reliance on any one customer or supplier, the directors believe that it is appropriate to consider the company to be a going concern.

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



.....  
M H Hurworth  
Director

Date:

27/9/18

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# HARVEY WATER SOFTENERS LIMITED

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## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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The directors present their report and the financial statements for the year ended 31 December 2017.

### **Directors' responsibilities statement**

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

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

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' Reports may differ from legislation in other jurisdictions.

### **Results and dividends**

The profit for the year, after taxation, amounted to £2,196,204 (2016 -£1,908,711).

During the year dividends totalling £Nil (2016: £318,268) were paid.

### **Directors**

The directors who served during the year were:

H W Bowden  
A P Bowden  
C Bowden  
M H Hurworth  
D Patterson (appointed 20 February 2017)

### **Disclosure of information in the strategic report**

The directors regularly identify, monitor and ensure appropriate processes are in place to mitigate potential risks and uncertainties arising.

The directors regularly undertake forecasting to identify the company's liquidity requirements and these are reviewed regularly to ensure that sufficient headroom exists for at least a 12 month period.

As the directors consider that the financial risk to the company is low, they do not use financial instruments in their risk management.

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# HARVEY WATER SOFTENERS LIMITED

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## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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### Going concern

The directors have a reasonable expectation that the group has adequate resources to continue operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### Disclosure of information in the strategic report

The company has chosen in accordance with Section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out within the company's Strategic Report the Company's Strategic Report Information Required by Schedule 7 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulation 2008. This includes information that would have been included in the business review and details of the principal risks and uncertainties.

### Disclosure of information to auditors

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

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

### Auditors

Under section 487(2) of the Companies Act 2006, Menzies LLP Woking will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

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



.....  
M H Hurworth  
Director

Date:

27/9/18

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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
HARVEY WATER SOFTENERS LIMITED**

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**Opinion**

We have audited the financial statements of Harvey Water Softeners Limited (the 'Company') for the year ended 31 December 2017, which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other information**

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



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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
HARVEY WATER SOFTENERS LIMITED (CONTINUED)**

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

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

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

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

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

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

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

**Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditors' 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 Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' Report.

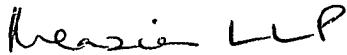
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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
HARVEY WATER SOFTENERS LIMITED (CONTINUED)**

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**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 Auditors' 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.



Salvador Amico FCA (Senior Statutory Auditor)  
for and on behalf of

**Menzies LLP Woking**  
Chartered Accountants  
Statutory Auditor  
1st Floor  
Midas House  
62 Goldsworth Road  
Woking  
Surrey  
GU21 6LQ

Date: 27 Sept 2018

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# HARVEY WATER SOFTENERS LIMITED

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## INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

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	Note	2017 £	2016 £
Turnover	4	26,488,225	21,381,037
Cost of sales		(16,773,976)	(13,264,635)
<b>Gross profit</b>		<b>9,714,249</b>	<b>8,116,402</b>
Administrative expenses		(7,411,371)	(6,290,548)
Fair value movements		-	83,727
<b>Operating profit</b>	5	<b>2,302,878</b>	<b>1,909,581</b>
Income from other fixed asset investments		-	42,520
Interest receivable and similar income		-	49,144
Interest payable and similar expenses	8	(106,674)	(135,844)
<b>Profit before tax</b>		<b>2,196,204</b>	<b>1,865,401</b>
Tax on profit	9	(34,286)	43,310
<b>Profit for the financial year</b>		<b>2,161,918</b>	<b>1,908,711</b>

The notes on pages 11 to 25 form part of these financial statements.

# HARVEY WATER SOFTENERS LIMITED

REGISTERED NUMBER:01362650

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Note	2017 £	2016 £
<b>Fixed assets</b>			
Tangible assets	11	1,806,412	1,065,206
Investments	12	840,937	840,937
		<u>2,647,349</u>	<u>1,906,143</u>
<b>Current assets</b>			
Stocks	13	2,606,280	1,673,835
Debtors: amounts falling due within one year	14	19,580,193	18,264,470
Cash at bank and in hand	15	76,166	713,436
		<u>22,262,639</u>	<u>20,651,741</u>
Creditors: amounts falling due within one year	16	(4,262,133)	(3,882,443)
<b>Net current assets</b>		<u>18,000,506</u>	<u>16,769,298</u>
<b>Total assets less current liabilities</b>		<u>20,647,855</u>	<u>18,675,441</u>
Creditors: amounts falling due after more than one year	17	(3,599,662)	(3,501,405)
<b>Provisions for liabilities</b>			
Deferred tax	20	(36,436)	(61,752)
Other provisions	21	(1,252,849)	(1,515,294)
		<u>(1,289,285)</u>	<u>(1,577,046)</u>
<b>Net assets</b>		<u>15,758,908</u>	<u>13,596,990</u>
<b>Capital and reserves</b>			
Called up share capital	22	100,000	100,000
Profit and loss account	23	15,658,908	13,496,990
		<u>15,758,908</u>	<u>13,596,990</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



.....  
M H Hurworth  
Director

Date: 27/9/18

The notes on pages 11 to 25 form part of these financial statements.

# HARVEY WATER SOFTENERS LIMITED

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

	Called up share capital £	Profit and loss account £	Total equity £
<b>At 1 January 2016</b>	100,000	11,906,547	12,006,547
<b>Comprehensive income for the year</b>			
Profit for the year	-	1,908,711	1,908,711
<b>Other comprehensive income for the year</b>	-	-	-
<b>Total comprehensive income for the year</b>	-	1,908,711	1,908,711
Dividends: Equity capital	-	(318,268)	(318,268)
<b>Total transactions with owners</b>	-	(318,268)	(318,268)
<b>At 1 January 2017</b>	100,000	13,496,990	13,596,990
<b>Comprehensive income for the year</b>			
Profit for the year	-	2,161,918	2,161,918
<b>Other comprehensive income for the year</b>	-	-	-
<b>Total comprehensive income for the year</b>	-	2,161,918	2,161,918
<b>Total transactions with owners</b>	-	-	-
<b>At 31 December 2017</b>	100,000	15,658,908	15,758,908

The notes on pages 11 to 25 form part of these financial statements.

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# HARVEY WATER SOFTENERS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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### 1. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

### 2. Company information

Harvey Water Softeners Limited is a limited company incorporated and domiciled in England, United Kingdom under the Companies Act 2006. The address of the registered office is given on the Company information page. This is also the trading address of the company. The principal activity of the company during the year continued to be that of manufacturing, retailing and wholesaling of water softeners and accessories.

### 3. Accounting policies

#### 3.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of HWS Holdings Limited which can be obtained from companies house. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102.

- (a) No cash flow statement has been presented for the company.
- (b) Disclosures in respect of financial instruments have not been presented.
- (c) No disclosure has been given for the aggregate remuneration of key management personnel.

The following principal accounting policies have been applied.

#### 3.2 Consolidation

The company has taken advantage of the exemption from preparing consolidated financial statements, contained in section 400 of the Companies Act 2006, on the basis that it is a subsidiary undertaking and its immediate parent undertaking is established under the law of an EEA state.

#### 3.3 Turnover

The turnover shown in the profit and loss account represents amounts receivable for goods and services provided during the year in the normal course of the business net of trade discounts, VAT and other sales and related taxes.

Turnover from the sale of goods is recognised when the risks and rewards of ownership have significantly passed to the customer. This is usually on purchases and/or installation of the product.

Turnover from services is recognised as it is performed.

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# HARVEY WATER SOFTENERS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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### 3. Accounting policies (continued)

#### 3.4 Income Tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

#### 3.5 Foreign currency translation

##### Functional and presentation currency

The Company's functional and presentational currency is GBP.

##### Transactions and balances

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

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

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

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

#### 3.6 Operating leases: the Company as lessee

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

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# HARVEY WATER SOFTENERS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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### 3. Accounting policies (continued)

#### 3.7 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

#### 3.8 Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

A summary of significant judgements taken in the preparation of the financial statements is details below:

##### *Warranty service provision*

The provision for warranties held at year end is based on management's best estimate of future liabilities arising on those warranty contracts still outstanding as at the year end. The liability is calculated based on the average cost associated with each individual claim under warranty arrangements multiplied by the expected volume of future claims.

##### *Capitalised rental softeners*

The value at which capitalised rental softeners are carried in the balance sheet is based upon management's best estimate of the age of the softeners held and the depreciation that would have been charged.

#### 3.9 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

Leasehold improvements	- Over the term of the lease
Plant and machinery	- 10-25% straight line
Motor vehicles	- 10 - 25% straight line
Fixtures and fittings	- 10-25% straight line

#### 3.10 Rental of water softeners

Where the company has agreed rental contracts with customers, the water softeners being rented are recognised as fixed assets in the balance sheet and depreciated per the accounting policy above.

Rental income received from these softeners is recognised in the profit and loss on a straight line basis over the life of the lease.



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# HARVEY WATER SOFTENERS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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### 3. Accounting policies (continued)

#### 3.11 Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Investments are revalued to their fair value at each reporting date with changes in fair value being recognised in the Statement of Comprehensive Income.

#### 3.12 Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

#### 3.13 Stocks

Raw materials and finished goods are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow-moving items. Finished goods include attributable overheads incurred during their manufacture.

#### 3.14 Finance Leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

#### 3.15 Provisions

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

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

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

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# HARVEY WATER SOFTENERS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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### 3. Accounting policies (continued)

#### 3.16 Defined contribution plans

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company has no further payment obligations.

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

#### 3.17 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

#### 3.18 Dividends

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

### 4. Turnover

The whole of the turnover is attributable to the companies principal activity.

Analysis of turnover by country of destination:

	2017 £	2016 £
United Kingdom	23,734,153	19,767,550
Rest of Europe	2,754,072	1,613,487
	<u>26,488,225</u>	<u>21,381,037</u>

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# HARVEY WATER SOFTENERS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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### 5. Operating profit

The operating profit is stated after charging:

	2017 £	2016 £
Research & development charged as an expense	194,237	257,698
Depreciation of tangible fixed assets	423,731	425,753
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	1,825	25,000
Exchange Differences	917,981	221,797
Defined contribution pension cost	30,861	21,966
Operating lease rentals	237,732	84,735

### 6. Employees

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

	2017 £	2016 £
Wages and salaries	5,744,424	4,241,741
Social security costs	573,285	442,428
Cost of defined contribution scheme	30,861	21,966
	<u>6,348,570</u>	<u>4,706,135</u>

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

	2017 No.	2016 No.
Employees	156	124

### 7. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	1,037,389	848,848
Company contributions to defined contribution pension schemes	-	-
	<u>1,037,389</u>	<u>848,848</u>

The highest paid director received remuneration of £504,137 (2016 - £404,710).

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# HARVEY WATER SOFTENERS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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### 8. Interest payable and similar expenses

	2017 £	2016 £
Bank interest payable	96,214	124,087
Finance leases and hire purchase contracts	10,460	11,757
	<u>106,674</u>	<u>135,844</u>

### 9. Taxation

	2017 £	2016 £
<b>Corporation tax</b>		
Current tax on profits for the year	59,602	(17,800)
	<u>59,602</u>	<u>(17,800)</u>
<b>Total current tax</b>	<u>59,602</u>	<u>(17,800)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(25,316)	(25,510)
<b>Total deferred tax</b>	<u>(25,316)</u>	<u>(25,510)</u>
<b>Taxation on profit/(loss) on ordinary activities</b>	<u>34,286</u>	<u>(43,310)</u>

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# HARVEY WATER SOFTENERS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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### 9. Taxation (continued)

#### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016 - lower than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	2,196,204	1,865,400
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	422,769	373,080
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	34,989	21,737
Difference in tax rate	-	(1,202)
Income that is exempt from taxation	-	(42,498)
Effect of R&D and patent box claim	(423,472)	(394,157)
Loss carry back	-	17,532
CT debtor for loss carry back	-	(17,802)
<b>Total tax charge for the year</b>	<b>34,286</b>	<b>(43,310)</b>

#### Factors that may affect future tax charges

There were no factors that may affect future tax charges.

### 10. Dividends

	2017 £	2016 £
Equity dividends paid on shares	-	318,268
	-	318,268

# HARVEY WATER SOFTENERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 11. Tangible fixed assets

	Long-term leasehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
<b>Cost</b>					
At 1 January 2017	43,636	3,356,213	387,394	436,749	4,223,992
Additions	-	767,809	112,207	468,050	1,348,066
Disposals	-	-	-	(288,790)	(288,790)
At 31 December 2017	43,636	4,124,022	499,601	616,009	5,283,268
<b>Depreciation</b>					
At 1 January 2017	43,636	2,641,825	315,765	157,559	3,158,785
Charge for the year on owned assets	-	228,901	56,290	138,540	423,731
Disposals	-	-	-	(105,660)	(105,660)
At 31 December 2017	43,636	2,870,726	372,055	190,439	3,476,856
<b>Net book value</b>					
At 31 December 2017	-	1,253,296	127,546	425,570	1,806,412
At 31 December 2016	-	714,388	71,629	279,190	1,065,207

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2017 £	2016 £
Plant and machinery	83,034	160,637
Motor vehicles	85,527	-
	<u>168,561</u>	<u>160,637</u>

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# HARVEY WATER SOFTENERS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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### 12. Fixed asset investments

	Shares in group undertakings £	Shares in participating interests £	Other investments £	Total £
<b>Cost or valuation</b>				
At 1 January 2017	8,785	218,152	614,000	840,937
At 31 December 2017	8,785	218,152	614,000	840,937
<b>Net book value</b>				
At 31 December 2017	8,785	218,152	614,000	840,937
At 31 December 2016	8,785	218,152	614,000	840,937

Included in other investments above are a number of vintage motorcycles which are being held at a valuation. These motorbikes were last valued on 15th July 2016 by Bonhams auction house. In the opinion of the directors, the fair value of the motorcycles at 31 December 2017 would not have materially changed.

### Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Country of incorporation
Harvey's Finance Limited	Ordinary	100 %	United Kingdom

The registered office of Harvey's Finance Limited is Hipley Street, Old Woking, Surrey GU22 9LQ.

### Participating interests

#### Joint ventures

Name	Country of incorporation	Class of shares	Holding
The Block Salt Company Limited	United Kingdom	Ordinary	50%
HaLuTec SA	France	Ordinary	50%

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# HARVEY WATER SOFTENERS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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### 13. Stocks

	2017 £	2016 £
Raw materials and consumables	2,540,637	1,642,181
Finished goods and goods for resale	65,643	31,654
	<u>2,606,280</u>	<u>1,673,835</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.  
Stock recognised in cost of sales during the year as an expense was £8,152,330 (2016 - £6,600,334) .

### 14. Debtors

	2017 £	2016 £
Trade debtors	4,617,339	3,269,023
Amounts owed by joint ventures and associated undertakings	-	56,091
Other debtors	14,656,694	14,781,613
Prepayments and accrued income	306,160	157,743
	<u>19,580,193</u>	<u>18,264,470</u>

### 15. Cash and cash equivalents

	2017 £	2016 £
Cash at bank and in hand	76,166	713,436
Less: bank overdrafts	(419,429)	-
	<u>(343,263)</u>	<u>713,436</u>



# HARVEY WATER SOFTENERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 16. Creditors: Amounts falling due within one year

	2017 £	2016 £
Bank overdrafts	419,429	-
Bank loans	425,533	325,533
Trade creditors	977,055	780,007
Amounts owed to group undertakings	1,383,233	1,326,233
Amounts owed to joint ventures	61,804	70,000
Corporation tax	-	117,343
Other taxation and social security	620,712	606,855
Obligations under finance lease and hire purchase contracts	93,014	80,136
Other creditors	141,504	406,601
Accruals and deferred income	139,849	169,735
	<u>4,262,133</u>	<u>3,882,443</u>

### 17. Creditors: Amounts falling due after more than one year

	2017 £	2016 £
Bank loans	3,464,643	3,381,882
Net obligations under finance leases and hire purchase contracts	135,019	119,523
	<u>3,599,662</u>	<u>3,501,405</u>

Included within creditors: amounts falling due after more than one year is an amount of £1,794,509 (2016: £1,824,283) in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

A Euro loan facility of £3,150,000 sterling equivalent was taken out in February 2008. Monthly interest payments for the mortgage commenced in March 2008 and will continue over the term of 14 years. Interest is charged at 1.15% per annum over the bank's base rate.

Bank loans are secured by an Omnibus Guarantee (see note 27).

Hire purchase contracts and finance leases are secured on the assets to which they relate.

Please provide details of the terms of payment or repayment and the rates of any interest payable on the amounts repayable more than five years after the balance sheet date.

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# HARVEY WATER SOFTENERS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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### 18. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2017 £	2016 £
No later than 1 year	93,014	80,136
Later than 1 year and not later than 5 years	135,019	119,523
	<u>228,033</u>	<u>199,659</u>

### 19. Financial instruments

	2017 £	2016 £
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	<u>19,227,346</u>	<u>17,975,810</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>(7,241,083)</u>	<u>(6,659,650)</u>

### 20. Deferred taxation

	2017 £	2016 £
At beginning of year	(61,752)	(87,262)
Charged to profit or loss	25,316	25,510
<b>At end of year</b>	<u>(36,436)</u>	<u>(61,752)</u>

The provision for deferred taxation is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	<u>(36,436)</u>	<u>(61,752)</u>
	<u>(36,436)</u>	<u>(61,752)</u>

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# HARVEY WATER SOFTENERS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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### 21. Provisions

	Warranties £
At 1 January 2017	1,515,294
Utilised in year	(262,445)
<b>At 31 December 2017</b>	<b>1,252,849</b>

Provisions are calculated based on the expected cost relating to warranty provided on softeners installed and includes provisions for ongoing claims against the company in respect of this.

### 22. Share capital

	2017 £	2016 £
<b>Allotted, called up and fully paid</b>		
100,000 Ordinary shares of £1 each	100,000	100,000

### 23. Reserves

#### Profit and loss account

This reserve records the sum of retained earnings and accumulated losses.

### 24. Commitments under operating leases

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	593,861	411,500
Later than 1 year and not later than 5 years	1,695,644	1,545,333
Later than 5 years	4,089,625	4,445,125
	<b>6,379,130</b>	<b>6,401,958</b>

### 25. Controlling party

The company was a wholly owned subsidiary of HWS Holdings Limited throughout the period. Copies of the group accounts can be obtained from Companies House, Crown May, Maindy, Cardiff, CF14 3UZ.

The ultimate controlling party continues to be H W Bowden.

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# HARVEY WATER SOFTENERS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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### 26. Transactions with directors

Included in debtors is an amount of £813,832 (2016 - £10,495 creditor) due from H W Bowden. During the year amounts totalling £1,650,695 were withdrawn from the company and £826,369 was paid back into the company. The year end balance represents the maximum amount that was outstanding during the year. No interest is paid on the loan.

Included in debtors is an amount of £411,982 (2016 - £348,045) due from C Bowden. During the year amounts totalling £63,937 were withdrawn from the company. The year end balance represents the maximum amount that was outstanding during the year. No interest is paid on the loan.

Both individuals are directors of the company.

### 27. Related party transactions

The company has taken advantage of the exemption available under FRS 102 Section 33.1A not to disclose transactions with wholly owned subsidiaries.

The bank facilities of Harvey's Finance Limited are secured by a personal guarantee by the director, H W Bowden.

At 31 December 2017 a balance of £135,000 (£2016 - £135,000) was due to A Bowden, a director of the company.

At 31 December 2017, debtors include an amount of £61,804 (2016 - £56,091) owed by HaLuTec S.A.

At 31 December 2017 there was an Omnibus Guarantee and Set Off Agreement in place with HB Property Investment Limited, HB Property Investment Holdings Limited, Castle Works Developments Limited and Castle Works Holdings Limited in respect of the bank loans.

Included within other debtors at year end are the following amounts due from related companies. These companies are related owing to the fact that H W Bowden is the ultimate controlling party for each.

- £4,459,446 (2016: £4,721,346) due from Castle Works Developments Limited.
- £4,336,195 (2016: £4,421,214) due from HB Property Investments Limited
- £734,532 (2016: £268,512) due from Gweek Developments Limited
- £1,923,381 (2016: £2,852,594) due from Flowerwalk Developments Limited
- £1,766,720 (2016: £1,781,858) due from Flowerwalk Homes Limited

During the year the company was charged £298,000 (2016: £298,000) as rent by Castleworks Developments Limited and was paid £nil (2016: £46,000) as interest by the same company.