Registered number: 07464159

THERMASYS CS UK HOLDING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

THERMASYS CS UK HOLDING LIMITED

CONTENTS

	Page(s)
Company Information	1
Strategic Report	2 - 3
Directors' Report	4 - 7
Independent Auditors' Report to the Members of Thermasys CS UK Holding Limited	8 - 10
Consolidated Profit and Loss Account	11
Consolidated Statement of Comprehensive Income	12
Consolidated Balance Sheet	13
Company Balance Sheet	14
Consolidated Statement of Changes in Equity	15
Company Statement of Changes in Equity	16
Consolidated Statement of Cash Flows	17
Notes to the Financial Statements	18 - 42

THERMASYS CS UK HOLDING LIMITED

COMPANY INFORMATION

DIRECTORS	K J Coghlan S J Rennie
COMPANY SECRETARY	J Fricker
REGISTERED NUMBER	07464159
REGISTERED OFFICE	Sir Henry Parkes Road Canley Coventry West Midlands England CV5 6BN
INDEPENDENT AUDITORS	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors One Chamberlain Square Birmingham B3 3AX
BANKERS	Barclays Bank Plc PO Box 299 Birmingham B1 3PF
SOLICITORS	Morgan, Lewis & Bockius Condor House 5-10 St. Paul's Churchyard London EC4M 8AL

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present the Strategic Report of Thermasys CS UK Holding Limited group (the "Group") for the year ended 31 December 2018.

BUSINESS REVIEW

The Group suffered from a downturn in overall business volumes, driven by the power generation sector, and as a result, experienced lower sales and gross margins. These business conditions follow the challenging post-Brexit economies in prior years. Management continues to integrate Covrad into the API Group to stabilize the business and position it for future success. The Hallco business was transitioned to another location during the 4th quarter 2018. As at 31 December 2018 the net liabilities of the Group were £10,583,197 and the Company were £6,355,230.

PRINCIPAL RISKS AND UNCERTAINTIES

The business, financial condition and results of operations will be influenced by a range of factors, many of which are beyond the control of the Group. The risk factors set out below and other information in this report should be considered carefully.

CHANGES IN ECONOMIC CONDITION

The operating companies within the Group are historically affected by world economic conditions, more so than UK economic conditions, as the customer base is either international or their end customers are international. As previously stated, the global downturn in the industrial markets that the Company serves, along with post-Brexit economies have made business conditions less than ideal. The companies continue to closely monitor demand trends and have demonstrated the ability to adjust their cost base as appropriate.

The Group could be adversely affected by the effects of a widespread outbreak of contagious disease, including the recent outbreak of respiratory illness caused by novel coronavirus first identified in Wuhan, Hubei Province, China. These could include disruptions or restrictions on the ability to manufacture or distribute the Group's products. Any disruption of our operations, or those of the Group's suppliers or customers, would likely impact sales and operating results. While there could be a near-term effect on the Group's operating results, it is difficult to assess or predict how material the impact will be and what long-term effects the outbreak may have.

KEY PERFORMANCE INDICATORS

Performance during the year and comparison with the previous year are detailed in the table below:

	2018	2017	
(Reduction)/Growth in sales % (all operations)	**(12.5)%**	13.0%	Year on year sales growth expressed as a percentage.
Gross profit %	**5.5%**	8.9%	Sales less cost of sales, before administration expenses, expressed as a percentage of sales.

FINANCE RISK MANAGEMENT

Price risk
Commodity price risk is mitigated by material price variation agreements with the major customers.

Credit risk
Credit risk is addressed on an individual customer basis with financial stability being reviewed for new customers and payment performance monitoring for established customers.

Liquidity risk
The companies within the Group are working well within the banking facilities currently in place.

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

K J Coghlan

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K J Coghlan
Director

Date: 31 July 2020

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and the audited consolidated financial statements of Thermasys CS UK Holding Limited (the "Group") and Thermasys CS UK Holding Limited (the "Company") for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company and its subsidiaries is the design and manufacture of cooling equipment for the marine and industrial markets. Covrad Heat Transfer Limited focuses primarily on the power generation market whilst Hallco 1516 Limited focuses on the marine and industrial markets.

RESULTS AND DIVIDENDS

The loss for the financial year amounted to £7,357,096 (2017: £2,154,257).

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

DIRECTORS

The directors who served during the year and up to the date of signing the financial statements, unless otherwise stated, were:

J M Laisure (resigned 22 February 2019)
T G Strauss (appointed 1 January 2018, resigned 23 October 2019)
K J Coghlan (appointed 23 October 2019)
S J Rennie (appointed 23 October 2019)

FUTURE DEVELOPMENTS

The Company will remain committed to ensuring quality in the design, manufacture and maintenance/service of all its products. To this end the Company is committed to invest, implement and maintain the standards required to achieve the appropriate quality standards. The directors are aware that the world economic situation has a direct influence on the business and, whilst they need to be aware of the possibilities of future uncertainties and uneven demand, they remain confident in the medium to long term prospects of the Company. The deficit on the closed defined benefit pension scheme increased during the year. The Company has agreed to a revised funding schedule with the trustees based on the 2016 triennial review and continues to implement it as it negotiates the 2020 triennial pension agreement.

GOING CONCERN

The Thermasys CS UK Holding Limited group owes £14.6m (2017: £12.2m) to Group undertakings, while Thermasys CS UK Holding Company owes £12.3m (2017: £10.5m) to Group undertakings as detailed in note 18. The Group and the Company would not have the ability to repay the Group undertakings if repayment would be requested within one year.

Therefore, the ultimate parent company, API Heat Transfer Company, has provided the directors of the Company with a letter of support confirming it will ensure that none of companies will seek repayment of the amounts owed to group undertakings for at least 12 months from the approval of these financial statements. On 31 December, 2018, the ultimate parent company - API Heat Transfer Company, restructured its balance sheet entering into new credit facilities which resulted in a substantial reduction of total debt. The new capital structure includes an ABL "Asset Based Lending" facility with a total commitment of $50m. Under the new ABL Agreement, the commitment is available for company-wide liquidity in its entirety, provided it is supported by a borrowing base. The new arrangement allows for ample liquidity of the parent and its subsidiaries.

As of 31 December, 2018, the ultimate parent company, API Heat Transfer Company, had a capital structure which included two term loans ($11.5m and $110.0m) and an ABL facility consisting of a revolver of up to $50m line, FILO of $5m, and an ABL Term Loan of $5m. The ABL Term Loan of $5m is due 31 December 2019. All other loans are not due until 30 September 2023. The ABL is collateralized by inventory, accounts receivables and equipment.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

The Group and Company is reliant on funds provided to it by its ultimate Parent Company undertaking, API Heat Transfer Company ("API Group") which has indicated that it will continue to make these funds available to the Group and Company for at least 12 months from the date of approval of these financial statements. This will enable the Group and Company to continue in operational existence for the going concern assessment period by meeting its liabilities as and when they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this financial support will continue, although at the date of approval of these financial statements, they have no reason to believe that it will not do so.

In assessing the ability of the API Group to provide this ongoing financial support, the future impact on the API Group of the recent COVID-19 outbreak has also been considered. The directors of API Group have performed sensitivity analyses on their Board approved forecasts to assess the potential impact of different scenarios. Based on various sensitivity analyses over the going concern assessment period of the potential impact of COVID-19, the API Group would have sufficient cash and be able to meet its covenant tests such that it will have the financial capacity to support the Group and Company so that they can meet their liabilities as and when they fall due for payment.

After due consideration of the matters set out above, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However it is difficult to predict either the length or severity of the COVID-19 outbreak or other downside scenarios that might impact the ongoing capability of the API Group to provide sufficient operational support in the event of a default on its loan agreements and whether in all plausible scenarios the Group and Company would be able to continue to access the support of the API Group. This represents a material uncertainty which may cast significant doubt on the Group and Company's ability to continue as a going concern and, therefore, to continue to realise their assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that may result from the basis of preparation being inappropriate.

FINANCIAL RISK MANAGEMENT

This is disclosed in the Strategic Report.

FINANCIAL INSTRUMENTS

During the year, the Company did not have any abnormal exposure to price, liquidity and cash flow risks arising from its trading activities. In terms of currency risk, the Company did not enter any hedging transactions and no trading in financial instruments were undertaken. In terms of commodities, the Company entered into a number of fixing arrangements for copper as part of the API Group in order to offer customers a stable price for a given volume of product for a limited time. Whilst there is some timing risk associated with these products, the Company believes this to be relatively small and is closely monitoring the outcomes of these contracts.

DIRECTORS' INTERESTS

During the year, no rights to subscribe for shares in the Company were granted to or exercised by the directors.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Group Annual report and the consolidated financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 the Group and of the profit or loss of the Group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, 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 Group will continue in business.

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

The directors are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 and the Group's auditors are unaware; and
- the director has taken all the steps that ought to have been taken as a directors in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

DIRECTORS' INDEMNITY

The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for directors and officers of the Company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the Company.

INDEPENDENT AUDITORS

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP 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 financial statements with the registrar, whichever is earlier.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

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

K J Coghlan

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K J Coghlan
Director

Date: 31 July 2020

Report on the audit of the financial statements

Opinion

In our opinion, Thermasys CS UK Holding Limited's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2018 and of the Group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Balance Sheets as at 31 December 2018; the Consolidated Profit and Loss Account and Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Group's and the Company's ability to continue as a going concern. The Group and the Company are reliant on funds provided to them by the ultimate holding company, API Heat Transfer Company (API). The ability of API to provide this ongoing financial support is dependent on having sufficient cash to be able to meet its covenant tests and be able to meet the liabilities of the ultimate group as a whole as and when they fall due for payment. It is difficult to predict the overall impact of the COVID-19 outbreak on API, the Group and Company at the date of approval of these financial statements and whether in all plausible scenarios the Group and Company would be able to continue to access the support of API. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as a going concern.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THERMASYS CS UK HOLDING LIMITED (CONTINUED)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for assessing the Group's and 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 Group or 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THERMASYS CS UK HOLDING LIMITED (CONTINUED)

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Matt Palmer

Matt Palmer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
31 July 2020

THERMASYS CS UK HOLDING LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Continuing operations 2018 £	Discontin'd operations 2018 £	Total 2018 £	Continuing operations 2017 £	Discontin'd operations 2017 £	Total 2017 £
Turnover	3	**16,808,798**	**8,028,124**	**24,836,922**	19,275,152	9,123,542	28,398,694
Cost of sales		**(15,958,385)**	**(7,502,958)**	**(23,461,343)**	(18,038,078)	(7,834,660)	(25,872,738)
Gross profit		**850,413**	**525,166**	**1,375,579**	1,237,074	**1,288,882**	2,525,956
Distribution costs		**(411,633)**	**(235,288)**	**(646,921)**	(415,073)	(376,635)	(791,708)
Administrative expenses		**(2,495,763)**	**(393,754)**	**(2,889,517)**	(2,122,170)	(344,831)	(2,467,001)
Exceptional items	11	**(1,392,645)**	**(1,487,917)**	**(2,880,562)**	-	-	-
Other operating charges		**(1,158,829)**	**5,856**	**(1,152,973)**	(117,886)	(64,394)	(182,280)
Operating loss	4	**(4,608,457)**	**(1,585,937)**	**(6,194,394)**	(1,418,055)	**503,022**	(915,033)
Interest payable and similar expenses	8	**(1,074,586)**	**-**	**(1,074,586)**	(881,115)	(88,887)	(970,002)
Other finance income	9	**(63,000)**	**-**	**(63,000)**	(226,000)	-	(226,000)
Loss before tax		**(5,746,043)**	**(1,585,937)**	**(7,331,980)**	(2,525,170)	**414,135**	(2,111,035)
Tax on loss	10	**(34,216)**	**9,100**	**(25,116)**	(43,222)	-	(43,222)
Loss for the financial year		**(5,780,259)**	**(1,576,837)**	**(7,357,096)**	(2,568,392)	**414,135**	(2,154,257)
Loss for the year attributable to:							
Owners of the parent company		**(5,780,259)**	**(1,576,837)**	**(7,357,096)**	(2,568,392)	414,135	(2,154,257)

The notes on pages 18 to 42 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £	2017 £
Loss for the financial year		**(7,357,096)**	(2,154,257)
Other comprehensive income			
Actuarial gain on defined benefit schemes	21	**150,000**	384,000
Current tax relating to actuarial gain on the pension scheme		**90,440**	-
Movement on deferred tax relating to pension losses	20	**(75,310)**	(65,280)
Other comprehensive income for the financial year		**165,130**	318,720
Total comprehensive expense for the financial year		**(7,191,966)**	(1,835,537)
Total comprehensive expense attributable to:			
Owners of the parent company		**(7,191,966)**	(1,835,537)

The notes on pages 18 to 42 form part of these financial statements.

THERMASYS CS UK HOLDING LIMITED
REGISTERED NUMBER: 07464159

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note		2018 £		2017 £
Fixed assets					
Intangible assets	12		**-**		2,088,967
Tangible assets	13		**2,596,089**		3,241,581
			2,596,089		5,330,548
Current assets					
Stocks	15	**3,165,231**		4,026,742	
Debtors	16	**9,984,356**		11,895,645	
Cash at bank and in hand	17	**1,099,353**		-	
		14,248,940		15,922,387	
Creditors: amounts falling due within one year	18	**(19,505,226)**		(16,990,166)	
Net current liabilities			**(5,256,286)**		(1,067,779)
Total assets less current liabilities			**(2,660,197)**		4,262,769
Pension liability	21		**(7,923,000)**		(7,654,000)
Net liabilities			**(10,583,197)**		(3,391,231)
Capital and reserves					
Called up share capital	23		**2,210,829**		2,210,829
Profit and loss account	24		**(12,794,026)**		(5,602,060)
Total shareholders' deficit			**(10,583,197)**		(3,391,231)

The financial statements on pages 11 to 42 were approved and authorised for issue by the board and were signed on its behalf by:

K J Coghlan

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K J Coghlan
Director

Date: 31 July 2020

The notes on pages 18 to 42 form part of these financial statements.

THERMASYS CS UK HOLDING LIMITED
REGISTERED NUMBER: 07464159

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note		2018 £		2017 £
Fixed assets					
Tangible assets	13		**1,546,246**		1,578,593
Investments	14		**3,537,022**		6,475,499
			5,083,268		8,054,092
Current assets					
Debtors	16	**868,950**		153,349	
Creditors: amounts falling due within one year	18	**(12,307,448)**		(10,541,804)	
Net current liabilities			**(11,438,498)**		(10,388,455)
Total assets less current liabilities			**(6,355,230)**		(2,334,363)
Capital and reserves					
Called up share capital	23		**2,210,829**		2,210,829
Profit and loss account brought forward		**(4,545,192)**		(3,682,267)	
Loss for the financial year		**(4,020,867)**		(862,925)	
Profit and loss account carried forward			**(8,566,059)**		(4,545,192)
Total shareholders' deficit			**(6,355,230)**		(2,334,363)

The financial statements on pages 11 to 42 were approved and authorised for issue by the board and were signed on its behalf by:

K J Coghlan

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K J Coghlan
Director

Date: 31 July 2020

The notes on pages 18 to 42 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Profit and loss account	Total shareholders' deficit
	£	£	£
At 1 January 2017	**2,210,829**	**(3,766,523)**	**(1,555,694)**
Comprehensive expense for the financial year			
Loss for the financial year	**-**	**(2,154,257)**	**(2,154,257)**
Actuarial gain on pension scheme net of tax	**-**	**318,720**	**318,720**
Other comprehensive income for the financial year	**-**	**318,720**	**318,720**
Total comprehensive expense for the financial year	**-**	**(1,835,537)**	**(1,835,537)**
At 31 December 2017 and 1 January 2018	**2,210,829**	**(5,602,060)**	**(3,391,231)**
Comprehensive expense for the financial year			
Loss for the financial year	**-**	**(7,357,096)**	**(7,357,096)**
Actuarial gain on pension scheme net of tax	**-**	**165,130**	**165,130**
Other comprehensive income for the financial year	**-**	**165,130**	**165,130**
Total comprehensive expense for the financial year	**-**	**(7,191,966)**	**(7,191,966)**
At 31 December 2018	**2,210,829**	**(12,794,026)**	**(10,583,197)**

The notes on pages 18 to 42 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Profit and loss account	Total shareholders' deficit
	£	£	£
At 1 January 2017	**2,210,829**	**(3,682,267)**	**(1,471,438)**
Comprehensive expense for the financial year			
Loss for the financial year	**-**	**(862,925)**	**(862,925)**
Total comprehensive expense for the financial year	**-**	**(862,925)**	**(862,925)**
At 31 December 2017 and 1 January 2018	**2,210,829**	**(4,545,192)**	**(2,334,363)**
Comprehensive expense for the financial year			
Loss for the financial year	**-**	**(4,020,867)**	**(4,020,867)**
Total comprehensive expense for the financial year	**-**	**(4,020,867)**	**(4,020,867)**
At 31 December 2018	**2,210,829**	**(8,566,059)**	**(6,355,230)**

The notes on pages 18 to 42 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 £	2017 £
Cash flows from operating activities		
Loss for the financial year	**(7,357,096)**	(2,154,257)
Adjustments for:		
Amortisation of intangible assets	**696,322**	696,323
Depreciation of tangible assets	**365,399**	504,713
Interest paid	**1,074,586**	970,002
Taxation charge	**25,116**	43,222
Loss on disposal of tangible assets	**222,478**	-
Decrease/(increase) in stocks	**861,511**	(433,370)
Decrease/(increase) in debtors	**1,824,569**	(471,511)
Increase in creditors	**3,260,019**	1,852,528
Corporation tax received	**76,733**	60,807
Defined benefits pension expense less payments	**419,000**	(345,000)
Impairment of intangible and tangible assets	**1,425,993**	-
Net cash generated from operating activities	**2,894,630**	723,457
Cash flows from investing activities		
Purchase of tangible assets	**(37,322)**	(107,104)
Sale of tangible assets	**61,589**	-
Net cash from/(used in) investing activities	**24,267**	(107,104)
Cash flows from financing activities		
Movements on invoice discounting	**-**	(720,174)
Interest paid	**(1,074,586)**	(970,002)
Net cash used in financing activities	**(1,074,586)**	(1,690,176)
Net increase/(decrease) in cash and cash equivalents	**1,844,311**	(1,073,823)
Cash and cash equivalents at beginning of financial year	**(744,958)**	328,865
Cash and cash equivalents at the end of financial year	**1,099,353**	(744,958)
Cash and cash equivalents at the end of financial year comprise:		
Cash at bank and in hand	**1,099,353**	-
Bank overdrafts	**-**	(744,958)
	1,099,353	(744,958)

The notes on pages 18 to 42 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. ACCOUNTING POLICIES

1.1 GENERAL INFORMATION

Thermasys CS UK Holding Limited's (the "Company") is a holding company and Thermasys CS UK Holding Limited Group's (the "Group") principal activities are the design and manufacture of cooling equipment for power generation, marine and rail traction engine markets.

The Company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Sir Henry Parkes Road, Canley, Coventry, West Midlands, England CV5 6BN.

1.2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2).

The following principal accounting policies have been applied consistently throughout the year:

1.3 BASIS OF CONSOLIDATION

The consolidated financial statements present the results of Group and its own subsidiaries ("the Group") as they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

1. ACCOUNTING POLICIES (CONTINUED)

1.4 EXEMPTIONS FOR QUALIFYING ENTITIES UNDER FRS 102

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in these consolidated financial statements.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

1. ACCOUNTING POLICIES (CONTINUED)

1.5 GOING CONCERN

The Thermasys CS UK Holding Limited group owes £14.6m (2017: £12.2m) to Group undertakings, while Thermasys CS UK Holding Company owes £12.3m (2017: £10.5m) to Group undertakings as detailed in note 18. The Group and the Company would not have the ability to repay the Group undertakings if repayment would be requested within one year.

Therefore, the ultimate parent company, API Heat Transfer Company, has provided the directors of the Company with a letter of support confirming it will ensure that none of companies will seek repayment of the amounts owed to group undertakings for at least 12 months from the approval of these financial statements. On 31 December, 2018, the ultimate parent company - API Heat Transfer Company, restructured its balance sheet entering into new credit facilities which resulted in a substantial reduction of total debt. The new capital structure includes an ABL "Asset Based Lending" facility with a total commitment of $50m. Under the new ABL Agreement, the commitment is available for company-wide liquidity in its entirety, provided it is supported by a borrowing base. The new arrangement allows for ample liquidity of the parent and its subsidiaries.

As of 31 December, 2018, the ultimate parent company, API Heat Transfer Company, had a capital structure which included two term loans ($11.5m and $110.0m) and an ABL facility consisting of a revolver of up to $50m line, FILO of $5m, and an ABL Term Loan of $5m. The ABL Term Loan of $5m is due 31 December 2019. All other loans are not due until 30 September 2023. The ABL is collateralized by inventory, accounts receivables and equipment.

The Group and Company is reliant on funds provided to it by its ultimate Parent Company undertaking, API Heat Transfer Company ("API Group") which has indicated that it will continue to make these funds available to the Group and Company for at least 12 months from the date of approval of these financial statements. This will enable the Group and Company to continue in operational existence for the going concern assessment period by meeting its liabilities as and when they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this financial support will continue, although at the date of approval of these financial statements, they have no reason to believe that it will not do so.

In assessing the ability of the API Group to provide this ongoing financial support, the future impact on the API Group of the recent COVID-19 outbreak has also been considered. The directors of API Group have performed sensitivity analyses on their Board approved forecasts to assess the potential impact of different scenarios. Based on various sensitivity analyses over the going concern assessment period of the potential impact of COVID-19, the API Group would have sufficient cash and be able to meet its covenant tests such that it will have the financial capacity to support the Group and Company so that they can meet their liabilities as and when they fall due for payment.

After due consideration of the matters set out above, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However it is difficult to predict either the length or severity of the COVID-19 outbreak or other downside scenarios that might impact the ongoing capability of the API Group to provide sufficient operational support in the event of a default on its loan agreements and whether in all plausible scenarios the Group and Company would be able to continue to access the support of the API Group. This represents a material uncertainty which may cast significant doubt on the Group and Company's ability to continue as a going concern and, therefore, to continue to realise their assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that may result from the basis of preparation being inappropriate.

1. ACCOUNTING POLICIES (CONTINUED)

1.6 TURNOVER

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Group and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.7 INTANGIBLE ASSETS

GOODWILL

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Profit and loss account over its useful economic life.

OTHER INTANGIBLE ASSETS

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Goodwill	-	10	years

1.8 TANGIBLE ASSETS

Tangible 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.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

1. ACCOUNTING POLICIES (CONTINUED)

1.8 TANGIBLE ASSETS (CONTINUED)

Land is not depreciated. Depreciation on other assets 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:

Property and leasehold improvements	- 20% straight line
Plant and machinery	- 10% to 25% straight line
Fixtures, fittings and equipment	- 10% to 33% straight line
Jigs & tools	- 10% to 25% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

1.9 LEASING AND HIRE PURCHASE COMMITMENTS

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Consolidated Statement of Comprehensive Income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.10 IMPAIRMENT OF FIXED ASSETS AND GOODWILL

Assets that are subject to depreciation or amortisation are assessed at each Balance Sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each Balance Sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

1.11 INVESTMENTS

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

1. ACCOUNTING POLICIES (CONTINUED)

1.12 STOCKS

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each Balance Sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

1.13 DEBTORS

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.14 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

1.15 FINANCIAL INSTRUMENTS

The Group 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.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

1. ACCOUNTING POLICIES (CONTINUED)

1.15 FINANCIAL INSTRUMENTS (CONTINUED)

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the Balance Sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.16 CREDITORS

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.17 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The Company's functional and presentational currency is Pound Sterling.

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 Consolidated Statement of Comprehensive Income.

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

1.18 FINANCE COSTS

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.19 OPERATING LEASES: THE GROUP AS LESSEE

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

1. ACCOUNTING POLICIES (CONTINUED)

1.20 PENSIONS

DEFINED CONTRIBUTION PENSION PLAN

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

DEFINED BENEFIT PENSION SCHEME

The Company operates a defined benefit plan for certain employees which is closed to both new entrants and future accrual of benefits for existing members. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependant upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Balance Sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of the plan assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit obligation'.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as 'Net interest expense on post-employment benefits.

1.21 INTEREST INCOME

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

1.22 BORROWING COSTS

All borrowing costs are recognised in the Consolidated Statement of Comprehensive Income in the year in which they are incurred.

1. ACCOUNTING POLICIES (CONTINUED)

1.23 PROVISIONS FOR LIABILITIES

Provisions are made where an event has taken place that gives the Group 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 Consolidated Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet 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 Balance Sheet.

1.24 CURRENT AND DEFERRED TAXATION

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

1.25 TOOLING

The Company manufactures tooling which is used in production. The cost of such tooling is capitalised by the Company as a fixed asset and depreciated in equal installments over a period of three years. The costs capitalised consist of the direct labour and overheads involved in the production of the tools and a relevant proportion of indirect production overheads.

1.26 WARRANTIES

The Company provides warranties on large contracts. Costs to rectify claims made under these warranties are accrued in the financial statements.

1. ACCOUNTING POLICIES (CONTINUED)

1.27 EXCEPTIONAL ITEMS

The Company classifies certain one-off charges or credits that have a material impact in the Company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Company.

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Judgements in applying accounting policies

There are not considered to be any judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(b) Key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible assets
The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 13 for the carrying amount of the property plant and equipment, and note 1 (1.8) for the useful economic lives for each class of assets.

(ii) Stocks provisioning
The Group designs and manufactures cooling equipment for power generation, off-highway vehicles and rail traction engine markets. As a result it is necessary to consider the recoverability of the cost of stocks and the associated provisioning required. When calculating the stocks provision, management considers the nature and condition of the stocks, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 15 for the net carrying amount of the stocks and associated provision.

(iii) Impairment of debtors
The Group makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtor's and historical experience. See note 16 for the net carrying amount of the debtors and associated impairment provision.

(iv) Defined benefit pension scheme
The Group has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the Balance Sheet. The assumptions reflect historical experience and current trends. See note 21 for the disclosures relating to the defined benefit pension scheme.

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

v) Realisable value of assets

The Group makes an estimate of the recoverable value of the remaining assets which are included within the Balance Sheet as at 31 December 2018 due to the cessation of trade. When assessing the recoverable value, management have considered the impairment of trade and other debtors, intercompany receivables, inventory and fixed assets, while including factors such as credit rating of the debtors, the expectation of cash receipt and historical experience. See note 11 for the impairment of the assets based on the above judgements relating the cessation of trade of the business.

3. TURNOVER

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

	2018 £	2017 £
Power generation	**14,220,245**	17,327,000
Railway traction	**26,756**	22,359
Marine and industrial	**8,028,124**	9,123,542
Scrap sales	**204,015**	293,339
Other	**2,357,782**	1,632,454
	24,836,922	28,398,694

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	**14,729,720**	16,595,547
Europe	**4,953,013**	3,692,816
Rest of the world	**5,154,189**	8,110,331
	24,836,922	28,398,694

4. OPERATING LOSS

The operating loss is stated after charging:

	2018 £	2017 £
Depreciation of tangible assets	**365,399**	504,713
Amortisation of intangible assets	**696,322**	696,323
Operating lease rentals	**54,136**	90,687
Stocks recognised as an expense	**16,911,631**	19,378,099
Exchange differences	**27,453**	134,099
Impairment on cessation of the Company	**2,880,562**	-

5. AUDITORS' REMUNERATION

	2018 £	2017 £
Fees payable to the Group's auditors for the audit of the Group's annual financial statements	**36,600**	20,995
FEES PAYABLE TO THE GROUP'S AUDITORS IN RESPECT OF:		
The auditing of financial statements of associates of the Group pursuant to legislation	**57,500**	37,100
Taxation compliance services	**10,500**	9,500
All other services	**25,372**	7,880
	93,372	54,480

6. EMPLOYEES

Staff costs were as follows:

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Wages and salaries	**4,497,816**	4,945,110	**-**	-
Social security costs	**350,862**	478,905	**-**	-
Other pension costs	**1,390,745**	138,429	**-**	-
	6,239,423	5,562,444	**-**	-

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

	2018 Number	2017 Number
Production staff	**128**	134
Administrative staff	**13**	15
	141	149

The Company has no employees except for the director who is not remunerated for his services to the Group (2017: none).

7. DIRECTORS' REMUNERATION

The remuneration of the directors are not paid to them in their capacity as directors of the Company and are payable to services wholly attributable to API Heat Transfer Limited. No recharge is made to the Company (2017: none).

The key management personnel are not considered to be different to the directors of the Company.

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2018 £	2017 £
Other loan interest payable	**1,017,432**	921,744
Other interest payable	**57,154**	48,258
	1,074,586	970,002

9. OTHER FINANCE COSTS

	2018 £	2017 £
Net interest on net defined benefit liability	**(63,000)**	(226,000)

10. TAX ON LOSS

	2018 £	2017 £
CORPORATION TAX		
Current tax on loss for the year	**90,440**	-
Adjustments in respect of previous periods	**19,182**	(148,142)
TOTAL CURRENT TAX	**109,622**	(148,142)
DEFERRED TAX		
Origination and reversal of timing differences	**(92,911)**	75,613
Changes to tax rates	**10,374**	(8,826)
Adjustments in respect of previous periods	**(1,969)**	124,577
TOTAL DEFERRED TAX	**(84,506)**	191,364
TOTAL TAX	**25,116**	43,222

10. TAX ON LOSS (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2017: higher than) the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). The differences are explained below:

	2018 £	2017 £
Loss before taxation	**(7,331,980)**	(2,111,035)
Loss before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	**(1,393,076)**	(406,302)
EFFECTS OF:		
Non-tax deductible amortisation of goodwill and impairment	**-**	149,672
Expenses not deductible for tax purposes	**876,723**	11,507
Adjustments in respect of previous periods	**17,213**	(23,565)
Tax rate changes	**10,374**	(8,826)
Losses derecognised / not recognised	**492,014**	320,736
Other	**21,868**	-
TOTAL TAX CHARGE FOR THE FINANCIAL YEAR	**25,116**	43,222

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

Changes to the UK Corporation tax rates were substantively enacted on 7 September 2016 to reduce the main rate of Corporation tax to 17% from 1 April 2020 and deferred tax balances at the Balance Sheet date have been measured using this rate.

Subsequent to the Balance Sheet date, a further change was substantively enacted on 17 March 2020 to maintain the rate at 19%. Had this been substantively enacted at the Balance Sheet date, deferred tax liabilities would have increased by £155,183.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

11. EXCEPTIONAL ITEMS

	2018 £	2017 £
Impairment of inventory	**1,504,590**	-
Impairment of fixed assets held for sale	**33,348**	-
Write off of balances no longer due	**(50,021)**	-
Impairment of goodwill	**1,392,645**	-
	2,880,562	-

During the year management transitioned manufacturing of all Hallco products to another API location and decided to cease trading resulting in the impairment of assets of £1,537,938 and the writing off of balances no longer due of £50,021. In addition, to the cessation of Hallco 1516 Limited's trading, the poor financial performance of the other subsidiaries has resulted in the impairment of goodwill of £1,392,645.

12. INTANGIBLE ASSETS

Group

	Goodwill £
COST	
At 1 January 2018	**6,963,223**
At 31 December 2018	**6,963,223**
ACCUMULATED AMORTISATION	
At 1 January 2018	**4,874,256**
Charge for the year	**696,322**
Impairment	**1,392,645**
At 31 December 2018	**6,963,223**
NET BOOK VALUE	
At 31 December 2018	**-**
At 31 December 2017	2,088,967

13. TANGIBLE ASSETS

Group

	Property and leasehold improvements £	Plant and machinery £	Fixtures, fittings and equipment £	Jigs & tools £	Total £
COST					
At 1 January 2018	**1,638,855**	**5,079,291**	**454,402**	**93,043**	**7,265,591**
Additions	**-**	**16,713**	**20,609**	**-**	**37,322**
Disposals	**-**	**(595,301)**	**-**	**-**	**(595,301)**
At 31 December 2018	**1,638,855**	**4,500,703**	**475,011**	**93,043**	**6,707,612**
ACCUMULATED DEPRECIATION					
At 1 January 2018	**60,262**	**3,499,382**	**371,323**	**93,043**	**4,024,010**
Charge for the year	**32,347**	**238,084**	**94,968**	**-**	**365,399**
Disposals	**-**	**(311,234)**	**-**	**-**	**(311,234)**
Impairment charge	**-**	**32,310**	**1,038**	**-**	**33,348**
At 31 December 2018	**92,609**	**3,458,542**	**467,329**	**93,043**	**4,111,523**
NET BOOK VALUE					
At 31 December 2018	**1,546,246**	**1,042,161**	**7,682**	**-**	**2,596,089**
At 31 December 2017	1,578,593	1,579,909	83,079	-	3,241,581

The Directors have made the decision to cease trading of Hallco 1516 Limited. The financial statements of Hallco have been prepared on a basis other than that of a going concern. Included in tangible assets are assets from Hallco £64,414 (2018:£136,020) that have been disclosed at values at which they are expected to be realised.

13. TANGIBLE ASSETS (CONTINUED)

Company

	Land and building £
COST	
At 1 January 2018	**1,610,940**
At 31 December 2018	**1,610,940**
ACCUMULATED DEPRECIATION	
At 1 January 2018	**32,347**
Charge for the year	**32,347**
At 31 December 2018	**64,694**
NET BOOK VALUE	
At 31 December 2018	**1,546,246**
At 31 December 2017	1,578,593

14. INVESTMENTS

Company

	Investments in subsidiary companies £
COST	
At 1 January 2018	**6,475,499**
Impairment	**(2,938,477)**
At 31 December 2018	**3,537,022**

The subsidiaries of the Company are detailed in note 29.

During the year the Company impaired its investment in Covrad Holdings Limited due to the poor financial performance of its subsidiary.

15. STOCKS

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Raw materials and consumables	**2,611,929**	2,889,588	-	-
Work in progress	**492,233**	1,103,153	-	-
Finished goods and goods for resale	**61,069**	34,001	-	-
	3,165,231	4,026,742	-	-

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Stocks include a provision for impairment of £1,504,590 (2017: £Nil) and provision for obsolence of £223,426 (2017: £299,056).

16. DEBTORS

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade debtors	**4,159,951**	5,687,890	-	-
Amounts owed by group undertakings	**4,353,528**	3,138,913	**715,601**	-
Other debtors	**372**	1,494,212	-	-
Corporation tax	**64,684**	160,600	**153,349**	153,349
Deferred taxation	**1,319,053**	1,309,857	-	-
Prepayments and accrued income	**86,768**	104,173	-	-
	9,984,356	11,895,645	**868,950**	153,349

Trade debtors include a provision for impairment of £34,553 (2017: £92,911).

Amounts owed by group undertakings include trading balances that are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

On December 31, 2018, API Heat Transfer Intermediate Holdings, LLC was acquired from API Heat Transfer Holdings, LLC, the parent company, in exchange for its outstanding indebtedness. The parties holding the indebtedness exchanged such for the common and preferred stock of the acquiring company, API Heat Transfer Parent, LLC, and new debt. The overcapitalisation reduced the parent company indebtedness significantly. In light of the COVID-19 pandemic management has assessed the recoverability of the amounts owed by group undertakings. In this assessment the future impact on the API Group of the recent COVID-19 outbreak has also been considered and the API Group would have sufficient cash and be able to meet its covenant tests and this has alleviated any financial uncertainty concerning the recoverability of the £4.4m owed.

17. CASH AND CASH EQUIVALENTS

	Group 2018 £	Group 2017 £	**Company 2018 £**	Company 2017 £
Cash at bank and in hand	**1,099,353**	-	-	-
Less: bank overdrafts (note 18)	-	(744,958)	-	-
	1,099,353	(744,958)	-	-

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2018 £	Group 2017 £	**Company 2018 £**	Company 2017 £
Bank overdrafts	-	744,958	-	-
Trade creditors	**4,404,038**	3,602,948	-	-
Amounts owed to group undertakings	**14,634,219**	12,168,071	**12,307,448**	10,541,804
Taxation and social security	-	276,068	-	-
Other creditors	**1,074**	52,040	-	-
Accruals and deferred income	**465,895**	146,081	-	-
	19,505,226	16,990,166	**12,307,448**	10,541,804

Amounts owed to group undertakings include trading balances that are unsecured, have no fixed date of repayment and are repayable on demand and a loan that attracts an interest rate of 10%. API Heat Transfer Company confirms that group companies will not seek repayment of the balance of £14,634,219 (2017: £12,168,071) for the foreseeable future being a period of not less than 12 months from the date of the approval of the statutory financial statements.

19. FINANCIAL INSTRUMENTS

	Group 2018 £	Group 2017 £	**Company 2018 £**	Company 2017 £
FINANCIAL ASSETS				
Financial assets that are debt instruments measured at amortised cost	**8,513,851**	10,321,015	**715,601**	-
FINANCIAL LIABILITIES				
Financial liabilities measured at amortised cost	**(19,039,331)**	(16,714,326)	**(12,307,448)**	(10,541,804)

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group companies, proceeds of factored debts, other creditors and accruals.

20. DEFERRED TAXATION

Group

	2018 £
At beginning of year	**1,309,857**
Charged to profit or loss	**84,506**
Charged to other comprehensive income	**(75,310)**
AT END OF YEAR	**1,319,053**

The deferred tax asset is made up as follows:

	Group 2018 £	Group 2017 £
Accelerated capital allowances	**71,477**	(2,159)
Pension surplus	**1,225,870**	1,301,181
Short term timing differences	**21,706**	10,835
	1,319,053	1,309,857

Unrecognised deferred tax

The deferred tax amounts to £549,486 (2017: £Nil) in relation to losses not recognised.

21. PENSION COMMITMENTS

Defined contribution

The Group operates a defined contribution scheme for the benefit of it's UK employees. The assets of the scheme are administered by trustees in funds independent from those of the Group. Contributions payable by the Group for the year totalled £49,015 (2017: £81,429).

Defined benefit

The Group operates a Defined benefit pension scheme, named Covrad Heat Transfer Limited Pension Plan. It was closed to new entrants on 30 June 2003 and closed for future accrual since 30 June 2003, hence there is no longer a final salary link.

The assets of the scheme are administered by trustees in funds independent from those of the Group and invested directly on the advice of the independent professional investment managers.

The treatment of pension costs in these financial statements is in accordance with the provisions of Financial Reporting Standard 102 (FRS102).

The last full actuarial valuation was carried out at 6 April 2016 and updated to 31 December 2019 by an independent qualified actuary.

During the year, the group made contributions of £644,000 (2017: £628,000) towards the accumulated deficit in the scheme. The expected contribution for 2019 is £672,000.

Reconciliation of present value of plan liabilities:

	2018 **£**	Restated 2017 £
At the beginning of the year	**22,502,000**	22,194,000
Interest cost	**472,000**	548,000
Actuarial gains/losses	**(1,165,000)**	323,000
Benefits paid	**(973,000)**	(563,000)
Past service cost	**974,000**	-
AT THE END OF THE YEAR	**21,810,000**	22,502,000

21. PENSION COMMITMENTS (CONTINUED)

Reconciliation of present value of plan assets:

	2018 £	Restated 2017 £
At the beginning of the year	**14,848,000**	13,811,000
Interest income	**409,000**	322,000
Actuarial gains/losses	**(1,015,000)**	707,000
Contributions	**644,000**	628,000
Benefits paid	**(973,000)**	(563,000)
Administration costs	**(26,000)**	(57,000)
AT THE END OF THE YEAR	**13,887,000**	14,848,000

Composition of plan assets:

	2018 £	2017 £
Equities	**5,832,540**	7,416,000
Bonds	**4,166,100**	3,028,000
Other	**3,888,360**	4,404,000
TOTAL PLAN ASSETS	**13,887,000**	14,848,000

	2018 £	2017 £
Fair value of plan assets	**13,887,000**	14,848,000
Present value of plan liabilities	**(21,810,000)**	(22,502,000)
NET PENSION SCHEME LIABILITY	**(7,923,000)**	(7,654,000)

21. PENSION COMMITMENTS (CONTINUED)

The amounts recognised in profit or loss are as follows:

	2018 £	2017 £
Net interest on net defined benefit liability	**(63,000)**	(226,000)
Past service cost	**(974,000)**	-
Administration expenses	**(26,000)**	(57,000)
TOTAL	**(1,063,000)**	(283,000)
Actual return on scheme assets	**(631,000)**	972,000

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	2018 %	2017 %
Discount rate	**2.70**	2.40
Rate of increase in pensions payment	**2.50**	2.40
Inflation assumption	**3.40**	3.30
Mortality rates		
- for a male aged 65 now	**86**	86
- at 65 for a male aged 45 now	**87**	87
- for a female aged 65 now	**88**	88
- at 65 for a female member aged 45 now	**89**	89

22. COMMITMENTS UNDER OPERATING LEASES

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

	Group 2018 £	Group 2017 £
Not later than 1 year	**48,604**	38,352
Later than 1 year and not later than 5 years	**92,729**	68,513
	141,333	106,865

23. CALLED UP SHARE CAPITAL

Group and Company

	2018 £	2017 £
SHARES CLASSIFIED AS EQUITY		
ALLOTTED, CALLED UP AND FULLY PAID		
2,210,829 (2017: 2,210,829) Ordinary shares of £1 (2017: £1) each	**2,210,829**	2,210,829

24. RESERVES

Share premium account

Amount subscribed for share capital in excess of nominal value.

Revaluation reserve

The Revaluation reserve represents any increases in the carrying amounts of tangible assets on revaluation.

Capital redemption reserve

Reserve relating to the purchase of the Company's own shares.

Profit and loss account

Retained earnings represents all net gains and losses and transactions with owners (e.g. dividends) that are not recognised elsewhere.

25. RELATED PARTY TRANSACTIONS

During the year, the Group made purchases of £17,063 (2017: £12,424) from General Thermodynamics, a fellow group company incorporated in the U.S.A. At 31 December 2018, the balance due to General Thermodynamics was £29,231 (2017: £10,885).

During the year, the Group made sales of £146,657 (2017: £71,324) to General Thermodynamics, a fellow group company incorporated in the U.S.A. At 31 December 2018, the balance owed by General Thermodynamics was £207,234 (2017: £39,742).

During the year, the Group received a loan of £Nil (2017: £Nil) from Thermasys Group Holding Company Inc. At 31 December 2018, the balance due to Thermasys Group Holding Company Inc. was £10,994,759 (2017: £9,977,327).

26. DISCONTINUATION OF HALLCO 1516 LIMITED

During the year management transitioned from manufacturing of all Hallco products to another API location and decided to cease trading resulting in exceptional items of £1,487,917 being incurred by the Group.

27. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company is ultimately owned by 14 investors, with no investor owning more than 50% of the Company. Littlejohn & Co, a company organized in the USA, is the controlling member.

The immediate parent undertaking is Thermasys Group Holding Company Inc. a company incorporated in the USA, which is the smallest group to consolidate these financial statements.

28. PRIOR YEAR RESTATEMENTS

The following restatements have been made to the prior year reported amounts:

- Balance at the beginning of the year for present value of plan liabilities has increased by £2,356,000 to £22,194,000.
- Balance at the beginning of the year for present value of plan assets has increased by £2,356,000 to £13,811,000.

The increase in the balances above is due to the grossing up of the assets and liabilities related to the insured pension annuities which have been previously disclosed on a net basis.

There is no effect on prior year net pension liability or net liabilities. The directors consider this to be a more appropriate disclosure of the pension assets and liabilities in line with FRS 102.

29. SUBSIDIARY UNDERTAKINGS

SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Covrad Holdings Limited	Sir Henry Parkes Road, Canley, Coventry, England, CVS 6BN	Holding company	Ordinary	100%
Covrad Heat Transfer Limited*	Sir Henry Parkes Road, Canley, Coventry, England, CVS 6BN	Manufacturing of cooling equipment	Ordinary	100%
Hallco 1516 Limited	Sir Henry Parkes Road, Canley, Coventry, England, CVS 6BN	Manufacturing of cooling equipment	Ordinary	100%

* Indirectly owned through Covrad Holdings Limited.