

**SPECIALIST HEAT EXCHANGERS  
LIMITED**

**Annual Report and Financial Statements**

**for the year ended 31 December 2019**



# **SPECIALIST HEAT EXCHANGERS LIMITED**

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# **SPECIALIST HEAT EXCHANGERS LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2019**

### **OFFICERS AND PROFESSIONAL ADVISORS**

#### **DIRECTORS**

I C Sheriff  
N Zeoli

#### **REGISTERED OFFICE**

Freeman Road  
North Hykeham  
Lincoln  
LN6 9AP  
United Kingdom

#### **BANKERS**

HSBC Bank Plc  
Lakeside 5A  
Penman Way  
Grove Park  
Enderby  
LE19 1SY  
United Kingdom

#### **SOLICITORS**

Langleys Solicitors LLP  
Olympic House  
Doddington Road  
Lincoln  
LN6 3SE  
United Kingdom

#### **AUDITOR**

Streets Audit LLP  
Chartered Accountant and Statutory Auditor  
Tower House  
Lucy Tower Street  
Lincoln  
LN1 1XW

# SPECIALIST HEAT EXCHANGERS LIMITED

## STRATEGIC REPORT

The directors present their Strategic Report for the year ended 31 December 2019.

### BUSINESS REVIEW & FUTURE DEVELOPMENT

The company made a profit for the year of £243,000 (2018: loss of £127,000) on turnover of £7,273,000 (2018: £6,312,000). At the balance sheet date, the company had net assets of £5,814,000 (2018: £5,571,000).

The company continues to invest in the on-going development of the range of products supplied and the processes employed by the company. The directors regard this investment as necessary for continuing success in the medium to long term future.

The company is in a stable phase and is planning for growth in the future as the power, oil and gas sectors recover from the current down turn.

The statement of financial position on page 11 of the financial statements, together with the related notes, shows the company's financial position at the year end.

### KEY PERFORMANCE INDICATORS

The key performance indicators of the business are turnover and operating profit:

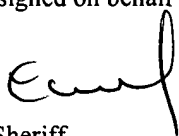
	2019 £'000	2018 £'000
Turnover	7,273	6,312
Operating (Loss)/Profit	328	(42)

### PRINCIPAL RISKS & UNCERTAINTIES

The company operates in competitive global markets, where costs are constantly under review. The company manages these risks by continuing to develop its products, and by working closely with customers to understand fully their requirements. This enables the company to provide cost-effective and market leading solutions, which has successfully underpinned the growth of the company into new markets.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Approved by the Board of Directors  
and signed on behalf of the Board



I C Sheriff

Director

26 JUNE 2020

Freeman Road  
North Hykeham  
Lincoln  
LN6 9AP  
United Kingdom

# **SPECIALIST HEAT EXCHANGERS LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

The directors present their annual report together with the audited financial statements for the year ended 31 December 2019.

### **FUTURE DEVELOPMENTS**

Details of future developments can be found in the Strategic Report on page 2.

### **RESEARCH AND DEVELOPMENT**

The company adopts a policy of continued research and development to improve both product quality and the range of product applications.

### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

#### **Cash flow risk**

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

#### **Credit risk**

The Company's principal financial assets are bank balances and cash, trade and other receivables, and investments.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

#### **Liquidity risk**

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance.

### **PRINCIPAL ACTIVITIES**

The company's principal activities are the design, manufacture and sale of heat exchangers for automotive and various industrial applications around the world. There have not been any significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year. A review of business performance and plans for future development are shown within the Strategic Report on page 2.

### **GOING CONCERN**

The entity is financed by an invoice discounting facility from its bankers. This is part of a group facility and is managed as such by the directors. The directors have produced forecasts for the 12 months from the signing of the financial statements and are satisfied that the company will generate sufficient profits to continue as a going concern. The directors have reviewed the company's cash flow forecasts, and compared to available headroom, adjusted for reasonable changes in the assumptions and consider that it is appropriate to prepare the financial statements on a going concern basis.

Subsequent to the year end, the UK has experienced a pandemic of the coronavirus. The potential effects to the company and its future prospects cannot be fully quantified but the directors remain committed to the protection of the business. The directors are frequently reviewing the situation and the support being offered by the government.

### **EVENTS AFTER THE BALANCE SHEET DATE**

On the 2<sup>nd</sup> June 2020 the company experienced a fire at its premises in Lincoln. The main production facility was unaffected, and the directors are confident that there will be no long-term effect on the business.

# **SPECIALIST HEAT EXCHANGERS LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

### **DIRECTORS**

The directors who held office throughout the year and subsequently unless otherwise stated were as follows:

I C Sheriff  
L Tazzioli (resigned 20<sup>th</sup> September 2019)  
N Zeoli (appointed 20<sup>th</sup> September 2019)  
W Zonta (resigned 14<sup>th</sup> February 2019)

### **DIRECTORS' INDEMNITIES**

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

### **DIVIDENDS**

The directors declared nil final dividends for the year (2018: £nil).

### **AUDITOR**

In the case of each of the persons who are directors of the company at the date when this report was approved:

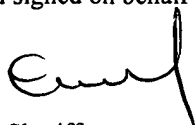
- so far as each of the directors is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

### **APPROVAL OF REDUCED DISCLOSURES**

The company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12. The company's shareholders have been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

Approved by the Board of Directors  
and signed on behalf of the Board



I C Sheriff  
Director

26 June 2020

Freeman Road  
North Hykeham  
Lincoln  
LN6 9AP  
United Kingdom

# **SPECIALIST HEAT EXCHANGERS LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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 may differ from legislation in other jurisdictions.

# **SPECIALIST HEAT EXCHANGERS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPECIALIST HEAT EXCHANGERS LIMITED**

### **Report on the audit of the financial statements**

#### **Opinion**

We have audited the financial statements of Specialist Heat Exchangers Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of income and retained earnings, statement of financial position 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 Account Standards, including FRS 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 31/12/19 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

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

- the directors' use of the going concern basis of accounting in 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.

# **SPECIALIST HEAT EXCHANGERS LTD**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPECIALIST HEAT EXCHANGERS LIMITED (CONTINUED)**

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

### **Opinions 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

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

In the light of 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 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; or
- the directors' were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, 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.

# SPECIALIST HEAT EXCHANGERS LTD

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPECIALIST HEAT EXCHANGERS LIMITED (CONTINUED)

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosure in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation. Structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

### Use of our report

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



Robin Lee (Senior Statutory Auditor)  
For and on behalf of  
Streets Audit LLP  
Chartered Accountant and Statutory Auditor  
Tower House  
Lucy Tower Street  
Lincoln  
LN1 1XW

6 July 2020

# SPECIALIST HEAT EXCHANGERS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME Year ended 31 December 2019

	Note	2019 £'000	2018 £'000
<b>TURNOVER</b>	3	7,273	6,312
Cost of sales		<u>(6,024)</u>	<u>(5,460)</u>
<b>GROSS PROFIT</b>		1,249	852
Selling and distribution costs		(180)	(216)
Administrative expenses		<u>(741)</u>	<u>(678)</u>
<b>OPERATING PROFIT/(LOSS)</b>	5	328	(42)
Interest payable and similar expenses	6	<u>(67)</u>	<u>(57)</u>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		261	(99)
Taxation	7	<u>(18)</u>	<u>(28)</u>
<b>PROFIT/(LOSS) AFTER TAXATION</b>		<u>243</u>	<u>(127)</u>

All results derive from continuing operations.

# SPECIALIST HEAT EXCHANGERS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME Year ended 31 December 2019

	Note	2019 £'000	2018 £'000
<b>Profit/(Loss) for the financial year</b>		<u>243</u>	<u>(127)</u>
Tax relating to components of other comprehensive (expense)/income	15	<u>-</u>	<u>-</u>
<b>Other comprehensive (expense)/income</b>		<u>-</u>	<u>-</u>
Gain on revaluation of property		-	-
<b>Total comprehensive income/(expense) attributable to equity shareholders of the Company</b>		<u><u>243</u></u>	<u><u>(127)</u></u>

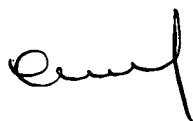
# SPECIALIST HEAT EXCHANGERS LIMITED

## STATEMENT OF FINANCIAL POSITION 31 December 2019

	Note	2019 £'000	2018 £'000
<b>FIXED ASSETS</b>			
Tangible assets	9	2,482	2,659
Intangible assets	10	118	146
		<u>2,600</u>	<u>2,805</u>
<b>CURRENT ASSETS</b>			
Stocks	11	538	461
Debtors	12	5,544	4,249
Cash at bank and in hand		97	503
		<u>6,179</u>	<u>5,213</u>
<b>CREDITORS: amounts falling due within one year</b>	13	<u>(2,717)</u>	<u>(2,193)</u>
<b>NET CURRENT ASSETS</b>		<u>3,462</u>	<u>3,020</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		6,062	5,825
<b>CREDITORS: amounts falling due after more than one year</b>	14	(7)	(17)
<b>PROVISION FOR LIABILITIES</b>	15	<u>(241)</u>	<u>(237)</u>
<b>NET ASSETS</b>		<u>5,814</u>	<u>5,571</u>
<b>SHARE CAPITAL AND RESERVES</b>			
Called up share capital	16	500	500
Revaluation reserve	16	1,044	1,044
Profit and loss account	16	4,270	4,027
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<u>5,814</u>	<u>5,571</u>

The financial statements of Specialist Heat Exchangers Limited (registered number 00936014) were approved by the Board of Directors and authorised for issue on 26 JUNE 2020.

They were signed on its behalf by



I C Sheriff  
Director

The accompanying notes form an integral part of these financial statements.

# SPECIALIST HEAT EXCHANGERS LIMITED

## STATEMENT OF CHANGES IN EQUITY 31 December 2019

	Called-up share capital £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
<b>At 1 January 2018</b>	500	1044	4,154	5,698
Loss for the financial year	-	-	(127)	(127)
Deferred tax on revaluation of property	-	-	-	-
Property Revaluation	-	-	-	-
<b>Total comprehensive income</b>	-	-	(127)	(127)
<b>At 31 December 2018</b>	500	1,044	4,027	5,571
Profit for the financial year	-	-	243	243
Deferred tax on property revaluation	-	-	-	-
Property Revaluation	-	-	-	-
<b>Total comprehensive income</b>	-	-	243	243
<b>At 31 December 2019</b>	500	1,044	4,270	5,814

# SPECIALIST HEAT EXCHANGERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

### 1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

#### **General information and basis of accounting**

Specialist Heat Exchangers Limited is a private company limited by shares, registered in England and Wales and incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the directors' report on page 3.

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Specialist Heat Exchangers Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates. The financial statements are also presented in pounds sterling. Foreign operations are included in accordance with the policies set out below.

Specialist Heat Exchangers Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Specialist Heat Exchangers Limited is consolidated into the financial statements of International Auto OEM Supplier Luxco Parent S.a.r.l., which may be obtained from the address in note 20. Exemptions have been taken in relation to share-based payments, related party transactions, financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

#### **Going concern**

The financial statements have been prepared using the going concern basis of accounting.

#### **Turnover**

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Turnover from the supply of goods is recognised once the goods are manufactured and required terms of the specific customer order have been fulfilled. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the consideration value.

#### **Tangible fixed assets**

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Short leasehold improvements	remaining period of lease
Plant and equipment	10-33%

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

Assets in the course of construction are not depreciated.

#### **Impairment of assets**

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

# SPECIALIST HEAT EXCHANGERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

### 1. ACCOUNTING POLICIES (CONTINUED)

#### Impairment of assets (continued)

##### *Non-financial assets*

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

#### Revaluation of properties

Freehold Properties are carried at revalued amounts and shown at their current value in accordance with FRS 102 Section 17 Paragraph 15b.

No depreciation has been provided in respect of freehold properties. In this respect the company has not complied with FRS 102 Section 17 Paragraph 16. Land and buildings are revalued every 3 years.

#### Stock

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis. Cost includes all direct costs incurred and attributable overheads. Net realisable value is based on estimated selling price allowing for all further costs of completion and disposal.

#### Leases

Assets under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

Leasing charges in respect of operating leases are recognised in the profit and loss account over the lease agreements as incurred.

#### Research and development

All expenditure on research and development on new products is written off as incurred.

#### Pension costs

The company sponsors a defined contribution Group Personal Pension scheme providing benefits for employees additional to those from the State. Contribution levels for the employer are determined by the company. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

#### Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all material timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised when fixed assets are revalued. Deferred tax on the revaluation of fixed assets is recognised in the statement of comprehensive income.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

# SPECIALIST HEAT EXCHANGERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

### 1. ACCOUNTING POLICIES (CONTINUED)

#### Financial instruments

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Where investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

#### Dividend distribution

Dividend distributions from Specialist Heat Exchangers Limited shareholders are recognised in the financial statements in the year in which the dividends are approved.

#### Foreign currencies

Transactions expressed in foreign currencies are translated into sterling and recorded at rates of exchange approximately to those ruling at the date of the transaction. Monetary assets are translated at rates ruling at the balance sheet date.

#### Intangible fixed assets

Intangible fixed assets are recognised only when they are separable or arise out of contractual or other legal rights. They are valued at cost less amortisation based on their useful economic lives. Patents have a 10 year validity period, hence amortisation is over 10 years. Other intangibles include software and are amortised over a 10 year period.

#### Provisions

Provisions are recognised when the company has a present obligation as a result of a past event which it is probable will result on an outflow of economic benefits that can be reliably estimated.

# SPECIALIST HEAT EXCHANGERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

### 2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Critical judgements in applying the Company's accounting policies

The following are the critical judgements that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

#### Revenue recognition

In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in FRS 102 Section 23 Revenue and, in particular, whether the Company had transferred to the buyer the significant risks and rewards of ownership of the goods.

The directors do not consider there to be any key sources of estimation uncertainty.

### 3. TURNOVER

An analysis of the Company's turnover by class of business is set out below:

	2019 £'000	2018 £'000
Sale of goods	7,109	6,147
Rendering of services	164	165
	<u>7,273</u>	<u>6,312</u>

An analysis of the Company's turnover by geographical market is set out below:

	2019 £'000	2018 £'000
UK	2,092	1,777
Overseas	5,181	4,535
	<u>7,273</u>	<u>6,312</u>

# SPECIALIST HEAT EXCHANGERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2019

### 4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2019 £'000	2018 £'000
<b>Directors' remuneration</b>		
Emoluments	122	111
Pension contributions	8	9
	<u>130</u>	<u>120</u>

One director was a member of a defined contribution pension scheme (2018: one).

	2019 £'000	2018 £'000
<b>Staff costs (including directors) comprised:</b>		
Wages and salaries	2,577	2,446
Social security costs	259	245
Other pension costs	138	135
	<u>2,974</u>	<u>2,826</u>

The average weekly number of persons (including directors) employed during the year was made up as follows:

	2019 Number	2018 Number
Engineering and production	58	58
Office and management	22	22
Sales and administration	3	3
	<u>83</u>	<u>83</u>

### 5. OPERATING (LOSS)/PROFIT

	2019 £'000	2018 £'000
<b>Operating (loss)/profit is stated after charging/(crediting):</b>		
Depreciation of tangible fixed assets		
- Owned assets	181	203
- Assets under finance leases	14	12
- Amortisation of intangibles asset	22	23
Fees payable to the company's auditor for the audit of the financial statements	15	15
Operating lease rentals – other	-	19
Foreign exchange (gains)/losses	8	3
Research and development	283	293
Cost of stock recognised as an expense	<u>2,260</u>	<u>1,956</u>

# SPECIALIST HEAT EXCHANGERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2019

### 6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019 £'000	2018 £'000
Bank loans and overdrafts	47	49
Other	20	11
	<u>67</u>	<u>57</u>

### 7. TAXATION

#### a) Analysis of tax (credit)/charge:

	2019 £'000	2018 £'000
<b>Current tax</b>		
UK corporation tax	34	33
Foreign tax relief	-	-
Adjustment in respect of prior year	(20)	(19)
	<u>14</u>	<u>14</u>
<b>Total current tax charge</b>	14	14
<b>Deferred taxation</b>		
Origination and reversal of timing differences	11	(18)
Adjustment in respect of previous periods	(7)	30
Change in unrecognised deferred tax assets	-	2
	<u>4</u>	<u>14</u>
<b>Total deferred tax (note 15)</b>	4	14
	<u>18</u>	<u>28</u>
<b>Total tax (credit)/charge on profit</b>	18	28

Deferred tax of £nil has been charged to other comprehensive income (2018: £nil) with respect to deferred tax on items not classified in the profit and loss account (note 15).

The standard rate of tax applied to reported profit is 19% (2018: 19%). In recent years the UK Government has steadily reduced the rate of UK corporation tax, with a rate of 20% applying from 1 April 2015 and 19% from 1 April 2017. All these rates have been substantively enacted at the year end and taken into account when calculating the tax position of the company, and the deferred tax assets and liabilities included within these financial statements have been calculated using these rates based on when the timing differences are expected to materially reverse.

#### b) Factors affecting the corporation tax (credit)/charge for the year

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2019 £'000	2018 £'000
(Loss)/Profit on ordinary activities before tax	261	(99)
	<u>50</u>	<u>(19)</u>
Tax at 19% (2018: 19%) thereon	50	(19)
Expenses not deductible for tax purposes	34	8
Transfer pricing adjustment	26	25
Group relief	(64)	-
Adjustment in respect of prior year	(27)	12
Change in unrecognised deferred tax assets	(1)	2
	<u>18</u>	<u>28</u>
<b>Total tax (credit)/charge for the year</b>	18	28

# SPECIALIST HEAT EXCHANGERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2019

### 8. DIVIDENDS

No dividend for the year ended 31 December 2019 has been declared by the directors (2018: £nil).

### 9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Plant and equipment £'000	Assets in the course of construction £'000	Total £'000
<b>Cost or valuation</b>				
At 1 January 2019	1,950	4,441	73	6,464
Additions	-	56	35	91
Reclassifications	-	-	(36)	(36)
Disposals / Sale	-	-	(37)	(37)
At 31 December 2019	<u>1,950</u>	<u>4,497</u>	<u>35</u>	<u>6,482</u>
<b>Accumulated depreciation</b>				
At 1 January 2019	-	3,805	-	3,805
Charge for the year	-	195	-	-
Disposals	-	-	-	-
At 31 December 2019	<u>-</u>	<u>4,000</u>	<u>-</u>	<u>4,000</u>
<b>Net book value</b>				
At 31 December 2019	<u>1,950</u>	<u>497</u>	<u>35</u>	<u>2,482</u>
At 31 December 2018	<u>1,950</u>	<u>636</u>	<u>73</u>	<u>2,659</u>

Fixed assets contain assets under finance leases with net book value of £95,990 (2018: £110,491).

The properties were valued on 11th January 2018 at open market value of £1,950,000, on an existing use basis by JH Walter Chartered Surveyors, which valuation forms the basis of the balance sheet valuation. All freehold land and buildings are held at valuation.

On an historical cost basis, freehold land and buildings would have been included at:

	2019 £'000	2018 £'000
Cost and net book value	<u>901</u>	<u>901</u>

The historical cost of Freehold land and buildings at 31 December 2019 was £463,000 (2018: £463,000) for Minster House and £438,000 (2018: £438,000) for Freeman Road.

# SPECIALIST HEAT EXCHANGERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2019

### 10. INTANGIBLE FIXED ASSETS

	IP £'000	Software £'000	Total £'000
<b>Cost or valuation</b>			
At 1 January 2019	66	161	227
Disposals	(6)	-	(6)
	<u>60</u>	<u>161</u>	<u>221</u>
At 31 December 2019			
<b>Accumulated depreciation</b>			
At 1 January 2019	44	37	81
Charge for the year	6	17	22
Disposals	-	-	-
	<u>50</u>	<u>54</u>	<u>103</u>
At 31 December 2019			
<b>Net book value</b>			
At 31 December 2019	<u>11</u>	<u>107</u>	<u>118</u>
At 31 December 2018	<u>22</u>	<u>124</u>	<u>146</u>

### 11. STOCKS

	2019 £'000	2018 £'000
Materials and components	258	285
Work in progress and finished goods	280	176
	<u>538</u>	<u>461</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

### 12. DEBTORS

	2019 £'000	2018 £'000
Trade debtors	1,752	663
Amounts owed by other group undertakings	3,624	3,499
Prepayments and accrued income	168	87
	<u>5,544</u>	<u>4,249</u>

Amounts owed to group undertakings are repayable on demand and no interest is charged.

# SPECIALIST HEAT EXCHANGERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2019

### 13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Bank overdraft and invoice discounting creditor	547	365
Obligations under finance leases	12	35
Trade creditors	781	688
Other taxation and social security	49	79
Accruals and deferred income	310	87
Amounts owed to other group undertakings	1,018	939
	<u>2,717</u>	<u>2,193</u>

The invoice discounting creditor is secured on book debtors. The balance on the invoice discounting facility at the year end was £547,292 (2018: £365,055).

Finance leases are secured on the assets they relate to.

### 14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019 £'000	2018 £'000
<b>Obligations under finance leases</b>		
Between one and two years	7	12
Between two and five years	-	5
	<u>7</u>	<u>17</u>

Finance leases are secured on the assets they relate to.

### 15. PROVISIONS FOR LIABILITIES

<b>Deferred taxation:</b>	2019 £'000	2018 £'000
At 1 January	237	223
(Credit) to profit and loss account (note 7)	4	14
Charge/(Credit) to other comprehensive income	-	-
	<u>241</u>	<u>237</u>
At 31 December	241	237
<b>Total provisions</b>	<u>241</u>	<u>237</u>
<b>Deferred taxation comprises:</b>		
Capital allowances in excess of depreciation	117	113
Capital gain on revaluation	124	124
	<u>241</u>	<u>237</u>

# SPECIALIST HEAT EXCHANGERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2019

### 16. CALLED UP SHARE CAPITAL AND RESERVES

	2019 £'000	2018 £'000
Called up, allotted and fully paid 500,000 ordinary shares of £1 each	500	500

The company has one class of ordinary shares which carry no right to fixed income.

The company's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

The revaluation reserve represents the cumulative effect of revaluations of freehold land and buildings which are revalued to fair value in accordance with the policy outlined in note 1.

### 17. OPERATING LEASE COMMITMENTS

At 31 December 2019, the company has full commitments under non-cancellable other operating leases as set out below:

	2019 £'000	2018 £'000
- within one year	17	19
- one and two years	10	10
- two and five years	6	6
	<u>33</u>	<u>35</u>

### 18. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in FRS 102 Section 33 Paragraph 1a) not to disclose transactions with wholly owned group companies.

### 19. CONTINGENT LIABILITIES

The company is party to corporate cross-company guarantee in respect of the external borrowings of Dynamic Technologies UK Ltd, and Tube Fins Limited, and a debenture incorporating fixed charge on debt book and floating charges over stock of the company. The company has given guarantees to the bank in favour of customers of £304k

### 20. ULTIMATE PARENT COMPANY

The company's immediate parent company is Dynamic Technologies UK Ltd. The ultimate parent company for the year ended 31 December 2019 was, Ardian Holding S.A.S, registered at 20 Place Vendome, 75001 Paris, France.