

Aspen Pumps Limited

Annual Report and Financial Statements

Year Ended

31 December 2018

Company Number 08291827



Aspen Pumps Limited

Company Information For the year ended 31 December 2018

Directors	S G Becker K C Bergin K J F Butler C J Gee R E Kienlen H D W Middleton A W Thompson A S Wakelin
Company number	08291827
Company secretary	N J Redman
Registered office	Aspen Building Apex Way Hailsham East Sussex BN27 3WA
Solicitors	Travers Smith LLP 10 Snow Hill London EC1A 2AL
Bankers	Lloyds Bank plc 10 Gresham Street London EC2V 7AE
Independent auditor	BDO LLP 31 Chertsey Street Guildford Surrey GU1 4HD

Aspen Pumps Limited

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Aspen Pumps Limited

Strategic Report For the year ended 31 December 2018

The directors present their Strategic Report for the year ended 31 December 2018.

Principal activities and review of the business

The principal activities of the Company during the year were:

- (1) The manufacture and sales of condensate pumps for the refrigeration and air conditioning industry.
- (2) The design, manufacture and sale of accessory products and services for the air conditioning industry.
- (3) The design and manufacture of freestanding systems to support plant equipment and services installed on flat roofs.

On 21 November 2018, the Company acquired 100% of the share capital in Advanced Limited ("Advanced"), a company whose principal activities are the manufacture and distribution of chemical and tool products for use in the air conditioning industry in both the UK and Europe. The primary reason for the acquisition was the opportunity for further growth from the combination of the market leading position which Advanced enjoys in the UK, the Storm chemical range launched by Aspen in 2017 and the global reach of the Group. The acquisition was funded through cash.

The results of the Company for the year, as set out on page 10 shows a profit from operations for the year of £14.9m (2017: £12.2m). The performance of the Company during 2018 delivered encouraging results. The Company has seen a continued improvement in the levels of business and expanded internationally.

The key performance indicators monitored by management are set out below.

	2018	2017
	£ 000	£ 000
Revenue	47,171	43,482
Profit from operations	14,935	12,189
Net assets	33,130	22,597
Cash	<u>6,110</u>	<u>9,050</u>

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are, to the extent relevant to its activities, consistent with those facing the Group as outlined below.

The process of risk assessment and risk management is addressed through a framework of policies, procedures and internal controls. The business of the Group is subject to certain risks. The key business risks relate to competition, ensuring that the Group continues at the forefront of product development, the health of the markets which it serves and counterparty credit risks.

Aspen Pumps Limited

Strategic Report For the year ended 31 December 2018 (continued)

Competitive risks

The Company is subject to competitive risks. The Company's strength in managing these risks is to diversify its sales into new geographical markets, to closely monitor major competitors within the markets that it trades in and to seek competitive advantage from continuous innovation and product development within the sector.


Political and legislative risks

The Company is subject to political and legislative risks. The Company's strength in managing these risks is demonstrated by its ability to successfully diversify sales into new markets. This diversification mitigates the risk to the Company of any change in legislation for any single market or political uncertainty.

Credit risk

Trade and other receivables are short-term and without undue concentration, they are subject to a strong credit control process in order to mitigate credit risk. The Company is exposed to counterparty credit risk of a major clearing bank in relation to the financial derivatives entered into. The Company regularly holds significant cash balances which are held with the major clearing banks.

Approved by the Board on 26/9/2019 and signed on its behalf by:



R E Kienlen
Director

Aspen Pumps Limited

Directors' Report For the year ended 31 December 2018

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

Results and dividends

The Company's profit for the year, after taxation, and total comprehensive income amounted to £10.5m (2017: £8.2m). No dividend was declared or paid during the year (2017: £Nil).

A review of the business and principal risks and uncertainties is included in the Strategic Report on pages 1 and 2.

Directors

The directors set out below held office during the year:

S G Becker

K C Bergin

K J F Butler (appointed 11 June 2018)

C J Gee

R E Kienlen

H D W Middleton

R P Taylor (resigned 30 November 2018)

A W Thompson

A S Wakelin (appointed 3 September 2018)

Future developments

The growth of Aspen Pumps Limited and its trading subsidiaries achieved during 2018 is expected to continue in the forthcoming year with all markets continuing to be developed along with additional product ranges. Continual improvements in the supply chain and strong operational cost control should also lead to development of the margin of the Company and the underlying trading subsidiaries.

Subsequent events

On 1 March 2019 the Company acquired the trade and assets of TNC, whose principal activity is the manufacture and distribution of clip products related to the air conditioning industry, from Larkin (UK) Limited. The acquisition cost of £0.45m was funded through cash.

Aspen Pumps Limited

Directors' Report For the year ended 31 December 2018 (continued)

Financial risk management

Information relating to the Company's financial risk management is detailed in note 28 to the financial statements.

Key financial risks include the exposure to foreign currency, particularly the Euro in which a significant proportion of sales are made and the US Dollar in which a significant proportion of inventory is purchased and in which a significant proportion of sales are made.

Further information in relation to these risks is provided below:

Foreign currency risk

A significant proportion of cash inflows from short term trade receivables are in foreign currencies. The Company trades in the three major currencies of Pounds Sterling, US Dollar and Euro. An intermediate parent company, Colorado Bidco Limited, manages the Group's treasury function. The Group's policy to manage this currency risk includes denominating the Group's bank borrowing in Euro's.

The cash flow risk is however managed by a natural hedge, whereby repayments of debt, capital and interests are made utilising surplus foreign currency inflows. The remaining currency risk on surplus inflows from short term trade receivables is managed through the Colorado Bidco Limited treasury function, by the use of forward foreign exchange contracts. Contracts were established during 2016, 2017 and 2018 to hedge the estimated Euro and US Dollar cash flow through to December 2019.

Interest rate risk

The Group's bank borrowings are subject to variable interest rates, which give a cash flow risk in relation to interest charges. The Group's policies to manage this risk include, fixing its interest rate using interest rate swaps. The current swap extends to March 2020. Loans available from the parent company, Acquaspen Limited, are made at a fixed rate of 8.5%.

Going concern

The Group's management expects the principal trading subsidiaries of Aspen Pumps Limited, Aspen Pumps Deutschland GmbH, Aspen Pumps France SAS, JAVAC (UK) Limited, Advanced Engineering Limited and Aspen Pumps Asia Pacific Pty Limited to continue to grow in 2019 and continue to generate positive cash flows sufficient to meet the day to day working capital requirements and the terms of the Group's bank and other borrowings. To manage the Group's liquidity risk, a subsidiary company, Colorado Bidco Limited, has secured bank borrowings on a long term basis.

The Company's forecasts and projections, taking account of reasonably possible changes in the trading performance of the Company, show that the Company should be able to operate within the level of its current facilities. The directors believe that the Company is well placed to manage its business risks successfully, as detailed above, despite the challenging market conditions and therefore have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus the directors of the Company continue to adopt the going concern basis of accounting in the preparation of the financial statements of the Company.

Aspen Pumps Limited

Directors' Report For the year ended 31 December 2018 (continued)

Donations

During the year the Company made the following contributions:

	2018	2017
	£	£
Charitable	<u>2,945</u>	<u>4,440</u>

Payment policy and practice

It is the Company's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of these terms and to abide by them. The Company's trade creditors represented 44 days (2017: 44 days).

BREXIT

The geographical spread of the revenues generated by the Group, combined with the fact that the Group has subsidiary companies with significant warehouse facilities in a number of different jurisdictions reduces the risk of there being a material impact from BREXIT. We have extended the warehouse space in both France and Germany and the proportion of the Group stock held at these locations has been increased. It is clearly difficult to give any further details on the potential impact of BREXIT before we know what the final process and position will look like.


Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution is to be proposed at the Annual General Meeting for re-appointment of BDO LLP as auditor of the Company.

Approved by the Board on 26/9/2019 and signed on its behalf by:


.....
R E Kienlen
Director

Aspen Pumps Limited

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union 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.

Aspen Pumps Limited

Independent Auditor's Report to the Members of Aspen Pumps Limited

Opinion

We have audited the financial statements of Aspen Pumps Limited (the 'Company') for the year ended 31 December 2018, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Aspen Pumps Limited

Independent Auditor's Report to the Members of Aspen Pumps Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Aspen Pumps Limited

Independent Auditor's Report to the Members of Aspen Pumps Limited (continued)

Responsibilities of directors

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

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

Auditor'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.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our Auditor's Report.

Use of our report

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

BDO LLP

.....
Mark Hutton (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Guildford

Date: 27 September 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Aspen Pumps Limited

Statement of Financial Position As at 31 December 2018

Company number: 08291827

	Note	2018 £ 000	2017 £ 000
Assets			
Current assets			
Inventories	11	9,405	7,741
Trade and other receivables	12	27,242	21,734
Deferred taxation	13	101	-
Cash and cash equivalents	14	6,110	9,050
Total current assets		42,858	38,525
Non-current assets			
Property, plant and equipment	15	1,908	1,804
Goodwill	16	25,655	25,655
Investments in subsidiaries	17	16,320	10,318
Other intangible assets	18	1,396	940
Total non-current assets		45,279	38,717
Total assets		88,137	77,242
Liabilities			
Current liabilities			
Trade and other payables	19	55,007	54,614
Deferred taxation	13	-	31
Total current liabilities		55,007	54,645
Total liabilities		55,007	54,645
Net assets		33,130	22,597
Equity attributable to equity holders of the Company			
Share capital	21	7	7
Share premium	22	682	682
Retained earnings	22	32,441	21,908
Total equity		33,130	22,597

The financial statements were approved and authorised for issue by the Board on 26/9/2019 and signed on its behalf by:



R E Kienlen
Director

The notes on pages 14 to 45 form an integral part of these financial statements.

Aspen Pumps Limited

Statement of Comprehensive Income For the year ended 31 December 2018

	Note	2018 £ 000	2017 £ 000
Revenue	5	47,171	43,482
Cost of sales		<u>(21,448)</u>	<u>(20,362)</u>
Gross profit		25,723	23,120
Distribution costs		(1,100)	(1,073)
Administrative expenses		<u>(9,688)</u>	<u>(9,858)</u>
Profit from operations	6	14,935	12,189
Finance income	9	502	364
Finance expense	9	<u>(3,179)</u>	<u>(3,307)</u>
Profit before tax		12,258	9,246
Income tax expense	10	<u>(1,725)</u>	<u>(1,069)</u>
Profit for the year and total comprehensive income		<u><u>10,533</u></u>	<u><u>8,177</u></u>

The above results were derived from continuing operations.

The notes on pages 14 to 45 form an integral part of these financial statements.

Aspen Pumps Limited

Statement of Changes in Equity For the year ended 31 December 2018

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2017	7	682	13,731	14,420
Profit and total comprehensive income for the year	-	-	8,177	8,177
Total comprehensive income	-	-	8,177	8,177
At 31 December 2017	7	682	21,908	22,597

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2018	7	682	21,908	22,597
Profit and total comprehensive income for the year	-	-	10,533	10,533
Total comprehensive income	-	-	10,533	10,533
At 31 December 2018	7	682	32,441	33,130

The notes on pages 14 to 45 form an integral part of these financial statements.

Aspen Pumps Limited

Statement of Cash Flows For the year ended 31 December 2018

	Note	2018 £ 000	2017 £ 000
Cash flows from operating activities			
Profit for the year		10,533	8,177
<i>Adjustments for:</i>			
Depreciation of tangible fixed assets	6	435	363
Amortisation of intangible fixed assets	6	223	124
Net finance charge	9	2,677	2,943
Income tax expense	10	1,725	1,069
		<u>15,593</u>	<u>12,676</u>
<i>Working capital adjustments:</i>			
Increase in inventories	11	(1,664)	(16)
Increase in trade and other receivables	12	(5,508)	(5,196)
Increase in trade and other payables	19	4,394	2,664
		<u>12,815</u>	<u>10,128</u>
Cash generated from operations			
Income taxes paid	10	(1,118)	(255)
Net cash flow from operating activities		<u>11,697</u>	<u>9,873</u>
Cash flows from investing activities			
Capex		(1,211)	(1,218)
Purchase of investment in subsidiaries		(5,814)	(6,093)
Net cash flows from investing activities		<u>(7,025)</u>	<u>(7,311)</u>
Cash flows from financing activities			
Net interest (paid)/received	9	(3,067)	152
Repayment of intercompany loan		(4,545)	-
Net cash flows from financing activities		<u>(7,612)</u>	<u>152</u>
Net (decrease)/increase in cash and cash equivalents		(2,940)	2,714
Cash and cash equivalents at 1 January		9,050	6,336
Cash and cash equivalents at 31 December		<u>6,110</u>	<u>9,050</u>

The notes on pages 14 to 45 form an integral part of these financial statements.

Aspen Pumps Limited

Notes to the Financial Statements For the year ended 31 December 2018

1 General information

Aspen Pumps Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act. The address of the registered office can be found on the Company Information page. The nature of the Company's operations and its principal activities are detailed in the Strategic Report.

2 Accounting policies

Accounting convention

The financial information for the year ended 31 December 2018 has been prepared in accordance with International Financial Reporting Standards and IFRS Interpretations Committee Interpretations issued by the International Accounting Standards Board, as adopted by the European Union ("IFRSs").

Basis of preparation

The financial statements are for the year ended 31 December 2018. They have been prepared in compliance with International Financial Reporting Standards (IFRSs) and IFRS Interpretations Committee (IFRIC) interpretations as adopted by the European Union as at 31 December 2018. The financial statements are presented in Sterling rounded to the nearest thousand except where indicated otherwise.

The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements are disclosed in note 3.

Consolidation

The Company is exempt from preparing consolidated financial statements in compliance with the Companies Act 2006 Section 400 on the basis that it is a wholly owned subsidiary of Colorado Holdco Limited and its results have been included in the consolidated financial statements of Colorado Holdco Limited. These financial statements therefore present information about the Company as an individual undertaking and not about its group. The consolidated financial statements of Colorado Holdco Limited as at 31 December 2018 may be obtained from Companies House.

Going concern

The Group's management expects the principal trading subsidiaries of Aspen Pumps Limited, Aspen Pumps Deutschland GmbH, Aspen Pumps France SAS, JAVAC (UK) Limited, Advanced Engineering Limited and Aspen Pumps Asia Pacific Pty Limited to continue to grow in 2019 and continue to generate positive cash flows sufficient to meet the day to day working capital requirements and the terms of the Group's bank and other borrowings. To manage the Group's liquidity risk, a subsidiary company, Colorado Bidco Limited, has secured bank borrowings on a long term basis.

Aspen Pumps Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

2 Accounting policies (continued)

Going concern (continued)

The Company's forecasts and projections, taking account of reasonably possible changes in the trading performance of the Company, show that the Company should be able to operate within the level of its current facilities. The directors believe that the Company is well placed to manage its business risks successfully, as detailed above, despite the challenging market conditions and therefore have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus the directors of the Company continue to adopt the going concern basis of accounting in preparation of the financial statements of the Company.

Changes in accounting policies

Adoption of new International Financial Reporting Standards ("Standards")

In the current year, the following significant new Standards have been adopted. No material amendments to figures reported in these financial statements have been made as a result of adopting these new standards. Disclosures have been updated as required.

- IFRS 9 Financial Instruments; and
- IFRS 15 Revenue from Contracts with Customers (and the related Clarifications)

IFRS 9 Financial Instruments (effective 1 January 2018)

IFRS 9 has introduced a new classification approach for financial assets and liabilities. The categories of financial assets are now reduced from four to three and financial liabilities are measured at amortised cost or fair value through profit and loss. The standard also prescribes an "expected credit loss" model for determining the basis of providing for bad debts. There was no material impact on the financial statements due to the adoption of IFRS 9.

IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Effective for accounting periods beginning on or after 1 January 2018, IFRS 15 has superseded the previous revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

An assessment of the impact of IFRS 15 has been completed following review of the contracts that exist across the Company's revenue streams. The review has concluded that revenue recognition under IFRS 15 is consistent with previous practice for the Company's revenue recognition and there was no material impact on the financial statements due to the adoption of IFRS 15.

Aspen Pumps Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

2 Accounting policies (continued)

Changes in accounting policies (continued)

Standards in issue but not yet effective with a material impact on the Company's financial statements

IFRS 16 Leases (effective 1 January 2019)

IFRS 16 is expected to have a significant impact on the amounts recognised in the Company's financial statements. On adoption of IFRS 16 the Company will recognise within the Statement of Financial Position a right of use asset and lease liability for all applicable leases. Within the Statement of Comprehensive Income, operating lease rentals payable will be replaced by depreciation and interest expense. This will result in an increase in operating profit and an increase in finance costs.

The Company will adopt IFRS 16 Leases from 1 January 2019 and apply the prospective approach and so the comparative information will not be restated.

The Company will recognise a right of use asset and a corresponding lease liability in its Statement of Financial Position on 1 January 2019. There will be no impact on net assets or equity at that date.

The principal accounting policies applied during the year were as follows:

Revenue recognition

Revenue for the Company is measured at the fair value of the consideration received or receivable excluding discounts, VAT and other sales taxes or duty. The Company recognises revenue for goods sold when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and the Company's performance obligations have been completed.

Retirement benefits: Defined contribution scheme

The Company operates a defined contribution pension scheme. Contributions to the scheme are charged to the Statement of Comprehensive Income in the period to which they relate.

Foreign currency translation

Functional and presentational currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Company's functional currency and the presentational currency is Sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Aspen Pumps Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

2 Accounting policies (continued)

Inventories

Inventories are stated at the lower of the costs incurred in bringing each product to its present location and condition and their net realisable values as follows:

Raw materials, consumables and goods for resale	-	average cost basis
Work in progress and finished goods	-	costs of direct materials and labour plus attributable overheads based on a normal level of activity

Net realisable value is based on an estimated selling price less any further costs expected to be incurred for completion and disposal.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs.

Depreciation is provided on all items of property, plant and equipment so as to write off their carrying value over the expected useful economic lives. It is provided at the following rates:

Leasehold improvements	20% straight line per annum
Plant and machinery	20% straight line per annum
Fixtures, fittings and equipment	15-33% straight line per annum

Assets under construction are not depreciated until they are ready for use at which point they are transferred to the asset class under which they will be reported and depreciated.

Goodwill

Goodwill arising on a trade and asset acquisition is the difference between the fair value of the consideration and the acquisition date fair value of the identifiable assets and liabilities and contingent liabilities acquired.

The acquired goodwill arose from the acquisition of the Aspen Pumps business.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the Statement of Comprehensive Income.

Aspen Pumps Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

2 Accounting policies (continued)

Investments

Investments by the Company in subsidiary undertakings are carried at cost less any provision for impairment.

Provisions will be recorded where, in the opinion of the directors, there is identified to be any long term impairment in value. Any such provision and any subsequent reversals will be recognised in the Statement of Comprehensive Income in the period in which they are identified.

Externally acquired intangible assets

Externally acquired intangible assets, including computer software and patents, are initially recognised at cost and subsequently amortised on a straight line basis over their useful economic lives.

The amortisation expense is recognised within administrative expenses in the Statement of Comprehensive Income on the following basis:

Computer software and trademarks	33.3%
Patents and trademarks	over the life of the patent

Assets under construction are not amortised until they are ready for use at which point they are transferred to the asset class under which they will be reported and amortised.

Impairment

Intangible assets are subject to impairment tests annually at the financial period end. The carrying values of non-financial assets are reviewed for impairment when there is an indication that assets might be impaired. When the carrying value of an asset exceeds its recoverable amount, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash generating unit (i.e. the smallest group of assets in which the asset belongs for which there are separately identifiable cash flows).

Impairment charges are included in profit or loss, except to the extent they reverse previous gains recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

Aspen Pumps Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

2 Accounting policies (continued)

Financial assets

The Company classifies its financial assets into the appropriate category, based upon the purpose for which the asset was acquired. The Company only has assets in the following category at the year end:

At amortised cost

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost. For trade receivables amortised cost includes an allowance for expected credit losses. This is assessed by grouping assets into categories with similar risk profiles and applying a provision matrix to each of these which is assessed by reference to past default experience and various other sources of actual and forecast economic information.

The Company's financial assets comprise trade and other receivables included within the Statement of Financial Position at the reporting date.

Cash and cash equivalents include cash held at bank and bank overdrafts, when applicable. Bank overdrafts are shown within loans and borrowings in current liabilities in the Statement of Financial Position.

Financial liabilities

The Company currently classifies all of its financial liabilities, other than derivatives, as other financial liabilities. These include the following:

- Intra-group loans which are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost ensuring the interest element of the borrowings is expensed over the repayment period at a constant rate.
- Trade payables, other borrowings and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Share capital

Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's ordinary shares are classified as equity instruments.

Aspen Pumps Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

2 Accounting policies (continued)

Dividends

Final equity dividends to the shareholders of the Company are recognised in the period that they are approved by shareholders. Interim equity dividends are recognised in the period they are declared by the directors.

Leased assets

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an 'operating lease'), the total rentals payable under the lease are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the Statement of Financial Position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities or assets are settled or recovered.

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Group company; or
- different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets and liabilities are expected to be settled or recovered.

Aspen Pumps Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

3 Critical accounting judgements and key sources of estimation uncertainty

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including the expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. 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 period are discussed below.

Judgements and accounting estimates and assumptions

(a) Stock obsolescence

The provision for stock obsolescence is driven by management's review of stock usage in the period and their judgement relating to specific products given their knowledge of the products and future orders. The provision at 31 December 2018 is £878,000 (2017: £584,000).

(b) Impairment of goodwill and other intangible assets

The Company performs an annual impairment test estimating future cash flows and determining the appropriate discount rate to be applied to the future cash flows (see note 16 for further information)

4 Capital management

The equity capital structure of the Company consists of the shareholders' equity as set out in the Statement of Changes in Equity. All working capital requirements of the Company are financed from the existing cash resources of the Company and fellow Group entities and the Group's borrowing facilities.

The Company's objectives when maintaining capital are:

- To safeguard its ability to continue as a going concern, so that the Company can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

Aspen Pumps Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

5 Revenue

The Company has disaggregated revenue into its key geographical and product categories in the table below:

	UK £ 000	Europe £ 000	Rest of World £ 000	Total 2018 £ 000
2018				
Pumps and associated equipment	8,752	19,281	10,112	38,145
Plant equipment and support systems	2,683	5,464	879	9,026
	<u>11,435</u>	<u>24,745</u>	<u>10,991</u>	<u>47,171</u>

	UK £ 000	Europe £ 000	Rest of World £ 000	Total 2017 £ 000
2017				
Pumps and associated equipment	7,822	17,752	9,282	34,856
Plant equipment and support systems	2,785	4,945	896	8,626
	<u>10,607</u>	<u>22,697</u>	<u>10,178</u>	<u>43,482</u>

6 Profit from operations

The operating profit is stated after charging/(crediting):

	2018 £ 000	2017 £ 000
Inventories recognised as an expense	19,743	18,927
Depreciation of property, plant and equipment	435	363
Amortisation of intangible assets	223	124
Research and development expenditure	511	603
Foreign exchange gains	(393)	(85)
Operating lease expense - land and buildings	446	421
Operating lease expense - motor vehicles	95	100
Operating lease expense - other	11	21
Auditor's remuneration		
- Fees for the audit of the Company	18	18
- Other services	<u>23</u>	<u>48</u>

Aspen Pumps Limited was responsible for payment of the audit fees for other Group companies, which totalled £139,000 (2017: £134,000).

Aspen Pumps Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

7 Staff costs

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

	2018 £ 000	2017 £ 000
Wages and salaries	3,794	4,197
Social security costs	341	366
Pension costs	64	49
	<u>4,199</u>	<u>4,612</u>
Amount charged by group company in respect of all staff services	31	68
Amount paid to parent in respect of all directors' services	<u>1,847</u>	<u>1,432</u>
	<u>6,077</u>	<u>6,112</u>

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

	2018 No.	2017 No.
Administration	68	71
Manufacturing	<u>33</u>	<u>35</u>
	<u>101</u>	<u>106</u>

8 Directors' remuneration and key management personnel costs

The key management personnel of the Company are considered to be the directors of the Company. Directors' remuneration is paid by the parent company and recharged to the Company on a time spent basis.

Directors' remuneration included in staff costs comprises of the following:

	2018 £ 000	2017 £ 000
Salaries	1,082	817
Bonuses	496	488
Pension costs	<u>57</u>	<u>101</u>
Directors' remuneration	<u>1,635</u>	<u>1,406</u>
Social security costs	<u>212</u>	<u>151</u>
Key management personnel costs	<u>1,847</u>	<u>1,557</u>

Aspen Pumps Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

8 Directors' remuneration and key management personnel costs (continued)

The emoluments of the highest paid director were:

	2018 £ 000	2017 £ 000
Emoluments	355	341

In addition, contributions of £Nil (2017: £50,000) were made to the Group's defined contribution pension scheme on his behalf.

There were 8 (2017: 7) directors in the Group's defined contribution pension scheme during the year.

9 Finance income and expenses

	2018 £ 000	2017 £ 000
Finance income		
Interest received on amounts due from Group entities	107	121
Other interest receivable	5	88
Foreign exchange gains	390	155
	<u>502</u>	<u>364</u>
Finance expense		
Interest payable on amounts due to Group entities	3,100	3,192
Interest on bank loans and overdrafts	63	-
Other interest payable	16	17
Foreign exchange losses	-	98
	<u>3,179</u>	<u>3,307</u>

Aspen Pumps Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

10 Income tax expense

	2018 £ 000	2017 £ 000
Current tax expense		
Current tax on UK profits for the year	1,807	1,008
Adjustment in respect of prior periods	50	-
	<u>1,857</u>	<u>1,008</u>
Deferred tax expense		
Origination and reversal of temporary differences	(69)	72
Adjustments in respect of prior periods	(70)	(2)
Tax rate changes	7	(9)
	<u>(132)</u>	<u>61</u>
Total tax expense	<u>1,725</u>	<u>1,069</u>

The reasons for the difference between the actual charge for the year and the standard rate of corporation tax in the United Kingdom of 19.00% (2017: 19.25%) applied to the profit for the year are as follows:

	2018 £ 000	2017 £ 000
Profit before tax	<u>12,258</u>	<u>9,246</u>
Corporation tax at standard rate	2,329	1,780
Adjustments in respect of prior periods	(20)	(2)
Expenses not deductible for tax purposes	41	97
Research and development tax credit	(173)	(160)
Tax rate changes	7	(9)
Effects of group relief for no consideration	<u>(459)</u>	<u>(637)</u>
Total tax expense	<u>1,725</u>	<u>1,069</u>

Factors that may affect future tax charges

With effect from 1 April 2020, the UK corporate tax rate will be reduced to 17%. This change, which was announced in the March 2015 budget and affirmed in the March 2016 budget, will have no significant impact on these financial statements.

Aspen Pumps Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

11 Inventories

	2018 £ 000	2017 £ 000
Raw materials and consumables	3,774	2,853
Finished goods	5,631	4,888
	<u>9,405</u>	<u>7,741</u>

12 Trade and other receivables

	2018 £ 000	2017 £ 000
Current		
Trade receivables	4,100	4,266
Prepayments and accrued income	657	737
Amounts owed by Group entities	22,485	16,731
	<u>27,242</u>	<u>21,734</u>

Trade and other receivables have not been discounted.

The directors consider that the carrying value of trade and other receivables classified as financial assets measured at amortised cost approximate to their fair value.

Further analysis of trade receivables is set out in note 28.

Aspen Pumps Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

13 Deferred taxation

Deferred tax is calculated in full on temporary differences under the liability method using tax rates appropriate for the period. The movement on the deferred tax account is shown as below:

	2018 £ 000	2017 £ 000
Deferred tax asset/(liability):		
At the start of the year	(31)	30
Recognised in the Statement of Comprehensive Income	<u>132</u>	<u>(61)</u>
At end of the year	<u>101</u>	<u>(31)</u>
The balance at the year-end comprises of:		
- timing differences on tangible assets	46	(37)
- other timing differences	<u>55</u>	<u>6</u>
	<u>101</u>	<u>(31)</u>

14 Cash and cash equivalents

	2018 £ 000	2017 £ 000
Cash on hand	3	3
Cash at bank	<u>6,107</u>	<u>9,047</u>
	<u>6,110</u>	<u>9,050</u>

Aspen Pumps Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

15 Property, plant and equipment

	Leasehold improvements £ 000	Plant and machinery £ 000	Fixtures, fittings and equipment £ 000	Assets under construction £ 000	Total £ 000
Cost					
At 1 January 2017	348	1,366	462	910	3,086
Additions	-	-	-	996	996
Disposals	-	-	-	(190)	(190)
Transfers between categories	98	85	140	(854)	(531)
At 31 December 2017	446	1,451	602	862	3,361
At 1 January 2018	446	1,451	602	862	3,361
Additions	-	-	-	541	541
Disposals	-	(7)	(2)	-	(9)
Transfers between categories	59	433	105	(597)	-
At 31 December 2018	505	1,877	705	806	3,893
Depreciation					
At 1 January 2017	247	662	285	-	1,194
Charge for year	47	227	89	-	363
At 31 December 2017	294	889	374	-	1,557
At 1 January 2018	294	889	374	-	1,557
Charge for the year	55	287	93	-	435
Eliminated on disposal	-	(6)	(1)	-	(7)
At 31 December 2018	349	1,170	466	-	1,985
Net book value					
At 31 December 2018	156	707	239	806	1,908
At 31 December 2017	152	562	228	862	1,804
At 1 January 2017	101	704	177	910	1,892

Aspen Pumps Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

16 Goodwill

	2018 £ 000	2017 £ 000
Carrying value		
Goodwill	<u>25,655</u>	<u>25,655</u>

Impairment testing

The acquired goodwill arose from the acquisition of the Aspen Pumps business from Acquaspen Limited in 2012.

The recoverable amount of the above CGU has been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five-year period to 31 December 2023. Other major assumptions are as follows:

	Aspen Pumps Division
Discount rate	11.5%
Growth rate	5.0%

The growth rate applies only to the period beyond the formal budgeted period with the value in use calculation based on an extrapolation of the budgeted cash flows for the years to 31 December 2023.

No impairment was noted as a result of performing the annual impairment tests at the reporting date.

Aspen Pumps Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

17 Investments in subsidiaries

Subsidiaries	£ 000
Cost	
At 1 January 2017	3,688
Additions	6,630
At 31 December 2017	10,318
Additions	6,002
At 31 December 2018	16,320

The following is a full listing of the subsidiaries of the Company as at 31 December 2018:

Name of subsidiary	Principal activity	Country of incorporation	Registered office	Proportion of ownership interest and voting rights held	
				2018	2017
Aspen Pumps Asia Pacific Pty Limited (formerly ProPipe Supplies Pty Limited)	Pump distributor	Australia	8 Waddikee Rd, Lonsdale SA 5160, Australia	100%	100%
Aspen Pumps Netherlands B.V.	Holding company	The Netherlands	Atrium Building, 8th Floor - Strawinskylaan 3127 - 1077 ZX Amsterdam, The Netherlands	100%	100%
Aspen Pumps India Pvt Limited	Pump distributor	India	Flat No. 333, 3rd Floor, Devika Tower, 6 Nehru Place, Delhi-110019, India	100%	100%

Aspen Pumps Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

17 Investments in subsidiaries (continued)

Name of subsidiary	Principal activity	Country of incorporation	Registered office	Proportion of ownership interest and voting rights held	
				2018	2017
Aspen Pumps Deutschland GmbH (formerly Malessa & Schüller GmbH)	Pump distributor	Germany	Tichauer Weg 30 - 40231 Düsseldorf, Germany	100%	100%
Aspen Pumps France SAS (formerly Salina SAS)	Pump distributor	France	15 Boulevard Richard Lenoir – 75011 Paris, France	100%	100%
JAVAC (UK) Limited	Manufacturer of specialist vacuum and refrigeration products	United Kingdom	6 Drake Court, Britannia Park, Middlesbrough, Cleveland, TS2 1RS, UK	100%	100%
Aspen Pumps Inc.	US sales force for Aspen Pumps Limited	USA	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, DE 19801, USA	100%	100%
Advanced Limited *	Intermediate holding company	United Kingdom	Guardian House, Stroudley Road, Basingstoke, Hampshire, RG24 8NL	100%	0%

Aspen Pumps Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

17 Investments in subsidiaries (continued)

Name of subsidiary	Principal activity	Country of incorporation	Registered office	Proportion of ownership interest and voting rights held	
				2018	2017
Advanced Engineering Limited	Chemicals product manufacturer	United Kingdom	Guardian House, Stroudley Road, Basingstoke, Hampshire, RG24 8NL	100%	0%
Advanced Engineering Services Limited *	Intermediate holding company	United Kingdom	Guardian House, Stroudley Road, Basingstoke, Hampshire, RG24 8NL	100%	0%

All investments in subsidiaries are held directly by the Company as at 31 December 2018, except for Aspen Pumps India Pvt Limited which is owned by Aspen Pumps Netherlands B.V. and the Advanced subsidiary companies per below.

During the year, the Company acquired 100% of the share capital of Advanced Limited for a consideration of £6.0m. Advanced Engineering Limited and Advanced Engineering Services Limited are wholly owned subsidiaries of Advanced Limited.

During the prior year, the Company acquired 100% of the share capital of Salina SAS and JAVAC (UK) Limited for a consideration of £3.4m and £3.1m respectively. Aspen Pumps Inc. was also incorporated in the prior year and 100% of the share capital was issued to the Company.

Aspen Pumps Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

18 Intangible assets

	Computer software £ 000	Patents and trademarks £ 000	Assets under construction £ 000	Total £ 000
Cost				
At 1 January 2017	161	302	-	463
Additions	-	-	412	412
Transfers between categories	404	127	-	531
At 31 December 2017	565	429	412	1,406
At 1 January 2018	565	429	412	1,406
Additions	-	-	695	695
Transfers between categories	299	265	(564)	-
Disposals	(24)	-	-	(24)
At 31 December 2018	840	694	543	2,077
Amortisation				
At 1 January 2017	128	214	-	342
Amortisation charge for the year	44	80	-	124
At 31 December 2017	172	294	-	466
At 1 January 2018	172	294	-	466
Amortisation charge for the year	98	125	-	223
Amortisation eliminated on disposals	(8)	-	-	(8)
At 31 December 2018	262	419	-	681
Carrying amount				
At 31 December 2018	578	275	543	1,396
At 31 December 2017	393	135	412	940
At 31 December 2016	33	88	-	121

Aspen Pumps Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

19 Trade and other payables

	2018 £ 000	2017 £ 000
Current		
Trade payables	3,116	2,440
Accruals and deferred income	902	722
Other payables	1,840	1,417
Corporation tax payable	1,492	753
Other tax and social security costs	166	154
Amounts owed to Group entities	8,996	6,088
Loan amounts owed to Group entities	38,495	43,040
	<u>55,007</u>	<u>54,614</u>

Amounts owed to holding entities are unsecured, interest free and have no fixed terms of repayment.

The loan from Acquaspen Limited of £37,000,000 is charged interest at an annual rate of 8.5%. There is no agreed repayment date for this loan. £7,646,000 of the balance of the loan including interest was repaid on 10 December 2018 as part of the Group refinancing process.

The directors consider that the carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximate to their fair value.

Trade payables held in currencies other than Sterling are as follows (Sterling equivalent):

	2018 £ 000	2017 £ 000
Euro	318	186
US Dollar	271	720
	<u>589</u>	<u>906</u>

Aspen Pumps Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

20 Financial assets and liabilities

The classification of the Company's financial assets and liabilities is as follows:

Financial assets

Classified as at amortised cost measured at amortised cost:

	2018 £ 000	2017 £ 000
Current financial assets		
Trade receivables	4,100	4,266
Amounts owed from Group entities	22,485	16,731
Cash and cash equivalents	6,110	9,050
Total financial assets	32,695	30,047

Financial liabilities

Classified as financial liabilities measured at amortised cost:

	2018 £ 000	2017 £ 000
Current financial liabilities		
Trade payables	3,116	2,440
Other payables	1,840	1,417
Accruals	902	722
Amounts owed to Group entities	47,491	49,128
Total financial liabilities	53,349	53,707

Aspen Pumps Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

21 Share capital

Allotted, called up and fully paid shares

	2018		2017	
	No.	£	No.	£
Ordinary shares of £0.01 each	<u>689,185</u>	<u>6,892</u>	<u>689,185</u>	<u>6,892</u>

All shares rank pari passu in all respects and are held by Acquaspen Limited.

22 Reserves

Retained earnings

Cumulative net gains and losses recognised in the Statement of Comprehensive Income, net of dividends paid.

Share premium

The amount subscribed for share capital in excess of the nominal value.

23 Financial commitments

The Company has given a guarantee in relation to bank borrowings by Group undertakings, which is secured by a debenture over the assets of the Company. The amount outstanding in relation to these borrowings at 31 December 2018 is £105,172,000 (2017: £50,889,527).

Aspen Pumps Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

24 Operating lease commitments

The Company leases office equipment and a number of vehicles as well as its property. The total value of minimum lease payments due until the next lease break (where the Company has the option to end the arrangement) is payable as follows:

	2018 £ 000	2017 £ 000
Motor vehicles		
Within one year	60	56
Later than one year and not later than five years	39	31
	<u>99</u>	<u>87</u>
Property		
Within one year	400	354
Later than one year and not later than five years	915	1,265
Later than five years	-	297
	<u>1,315</u>	<u>1,916</u>
Office equipment		
Within one year	11	10
Later than one year and not later than five years	22	-
	<u>33</u>	<u>10</u>
Total operating lease commitments	<u>1,447</u>	<u>2,013</u>

25 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £64,000 (2017: £49,000). Contributions totalling £11,000 (2017: £13,000) were payable to the scheme at the end of the year and are included in creditors.

Aspen Pumps Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

26 Related party transactions

Key management personnel

Compensation of key management personnel is shown in note 8.

Transactions and balances

Transactions with related parties are entered into on a regular basis as a result of normal commercial transactions undertaken by the Group.

The following transactions between related parties occurred in the year and, except where stated, comprise the provision of banking facilities and working capital finance:

	2018 £ 000	2017 £ 000
Transactions received from/(paid to):		
Acquaspen Limited	4,545	-
Acquaspen Limited	489	(3,153)
Aspen Pumps Netherlands B.V.	(10)	(15)
Big Foot Systems Limited	-	(46)
Colorado Bidco Limited	2,080	1,748
Colorado Bidco Limited	-	(128)
Colorado Holdco Limited	455	(22)
Colorado Midco Limited	5	10
The Pump Group Limited	22	18
Aspen Pumps India Private Limited	(30)	220
Malessa and Schüller GmbH	107	3,720
Malessa and Schuller GmbH - interest on loans payable	107	112
Aspen Pumps Inc.	(42)	-
Aspen Pumps France	(553)	4,721
ProPipe Supplies Pty Limited	(61)	810
JAVAC (UK) Limited	67	-
Advanced Limited	210	-
	<u>7,391</u>	<u>7,995</u>

Aspen Pumps Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

26 Related party transactions (continued)

The following balances existed at year-end with related parties:

	2018 £ 000	2017 £ 000
Balance receivable from/(payable to):		
Acquaspen Limited	6,262	5,773
Acquaspen Limited	(38,495)	(43,040)
Aspen Pumps Netherlands B.V.	(9)	1
Big Foot Systems Limited	(4,404)	(4,404)
Colorado Bidco Limited	7,476	5,290
Colorado Holdco Limited	531	76
Colorado Midco Limited	46	41
The Pump Group Limited	-	84
Aspen Pumps India Private Limited	189	219
Malessa and Schüller GmbH	1,595	1,381
Aspen Pumps Inc.	(28)	14
Aspen Pumps France	1,454	2,007
ProPipe Supplies Pty Limited	100	161
JAVAC (UK) Limited	67	-
Advanced Limited	210	-
	<u>(25,006)</u>	<u>(32,397)</u>

27 Control

The immediate parent undertaking is Acquaspen Limited. The directors consider the ultimate parent undertaking and controlling party to be 3i Investments Plc at 31 December 2018 by virtue of its indirect controlling interest in the Company.

Aspen Pumps Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

28 Financial instruments

The Company's activities expose it to a variety of financial risks: market risk (primarily foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Company's principal financial instruments are:

- Interest-bearing loans and borrowings; and
- Trade and other receivables, trade and other payables, cash and short term deposits.

An analysis of the financial instruments by category is given in note 20. This note provides further detail on financial risk management and includes quantitative information on the specific risks the Company is exposed to. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by the Board and their policies are outlined below.

Market risk

Foreign exchange risk

The Company is exposed to transaction foreign exchange risk as it operates globally and therefore it seeks to ensure that wherever possible transactions are denominated in Sterling and Euros.

The effect of a 10% strengthening of the main foreign currencies in which the Group transacts in would result in movements in net assets as follows:

	2018 £ 000	2017 £ 000
Euro	152	148
US Dollar	(23)	(44)
Australian Dollar	(1)	14
Net increase to net assets	<u>128</u>	<u>118</u>

Interest rate risk

The Company carries significant borrowings from Group entities. Interest on the loan borrowings is fixed at 8.5%.

Aspen Pumps Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

28 Financial instruments (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. In order to minimise this risk the Company endeavours only to deal with companies which are demonstrably creditworthy and this, together with the aggregate financial exposure, is continuously monitored. The maximum exposure to credit risk is the value of the outstanding amount.

Supply of products results in trade receivables which the management consider to be of low risk, other receivables are likewise considered to be low risk. The management do not consider that there is any concentration of risk within either trade or other receivables.

Credit risk on amounts owed by Group entities is considered to be small as all Group entities are 100% owned and trading profitably.

Credit risk on cash and cash equivalents is considered to be small as the counterparties are all substantial banks with high credit ratings. The maximum exposure is the amount of the deposit.

Classes of financial assets - carrying amounts:

	2018 £ 000	2017 £ 000
Cash and cash equivalents	6,110	9,050
Trade and other receivables	4,757	5,003
Amounts owed by Group entities	22,485	16,731
	<u>33,352</u>	<u>30,784</u>

The amounts presented in the Statement of Financial Position are net of allowances for impairment. An allowance for impairment is made based on the expected credit loss as described in note 2. The Company has no significant concentration of risk, with exposure spread over a large number of third parties and customers. A provision of £0.1m (2017 £0.2m) has been recorded.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk based on the credit rating of the customers, the collections experience the Company has had with the customer and whether there is credit insurance in place.

The expected loss rates are based on the Company's historical credit losses experienced over recent years. The historic loss rates are then compared with current and forward-looking information on macroeconomic factors affecting the Company's customers in the countries where the Company operates.

Aspen Pumps Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

28 Financial instruments (continued)

The movement in the provision for impairment of trade receivables during the year was as follows:

	2018 £ 000	2017 £ 000
At the start of the year	216	170
(Released)/created during the year	(115)	46
At the end of the year	101	216

Credit risk also arises on Amounts owed by Group entities which are due on demand. The company applies IFRS 9 expected credit loss model to amounts due from Group entities, assessing the probability of a number of scenarios relating to credit losses being incurred. Following the review, the directors consider the credit risk as negligible.

Liquidity risk

Liquidity risk arises from the Company's management of working capital. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company currently holds substantial cash balances in Sterling, US Dollars and Euros to provide funding for normal trading activity as shown below:

	2018 £ 000	2017 £ 000
Sterling	6,586	8,953
Euro	690	476
US Dollar	(1,166)	(379)
	6,110	9,050

The Group also has access to additional equity funding and, for short term flexibility, overdraft facilities would be arranged with the Group's bankers. Trade and other payables are monitored as part of normal management routine.

The following table sets out the contractual maturity (representing undiscounted contractual cash flows) of the Company's financial liabilities.

Aspen Pumps Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

28 Financial instruments (continued)

Maturity analysis

	Within one year £ 000	One to two years £ 000	Two to five years £ 000	Over five years £ 000
2018				
Loan amounts owed to Group entities	38,495	-	-	-
Trade and other payables	5,858	-	-	-
Amounts owed to Group entities	8,996	-	-	-
	<u>53,349</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Within one year £ 000	One to two years £ 000	Two to five years £ 000	Over five years £ 000
2017				
Loan amounts owed to Group entities	43,040	-	-	-
Trade and other payables	4,579	-	-	-
Amounts owed to Group entities	6,088	-	-	-
	<u>53,707</u>	<u>-</u>	<u>-</u>	<u>-</u>

Aspen Pumps Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

29 Notes supporting Statement of Cash Flows

Cash and cash equivalents for purposes of the Statement of Cash Flows comprises:

	2018 £ 000	2017 £ 000
Cash at bank available on demand	<u>6,110</u>	<u>9,050</u>

Non-cash transactions from investing activities are shown in the reconciliation of investments from investing transactions below:

	2018 £ 000	2017 £ 000
Investments		
At 1 January	10,318	3,688
Non-cash flows:		
Deferred consideration	188	500
Capitalised inter-Group balances	-	37
Cash flows:		
Cash paid for acquisitions	<u>5,814</u>	<u>6,093</u>
At 31 December	<u>16,320</u>	<u>10,318</u>

Non-cash transactions from financing activities are shown in the reconciliation of liabilities from financing transactions below:

	2018 £ 000	2017 £ 000
Current borrowings		
At 1 January	43,040	39,887
Non-cash flows:		
Interest accruing in the year	3,100	3,153
Cash flows:		
Loan repayment	(4,545)	-
Interest paid	<u>(3,100)</u>	<u>-</u>
At 31 December	<u>38,495</u>	<u>43,040</u>

Aspen Pumps Limited

Notes to the Financial Statements For the year ended 31 December 2018 (continued)

30 Post balance sheet event

On 1 March 2019, Aspen Pumps Limited acquired the trade and assets of TNC, whose principal activity is the manufacture and distribution of clip products related to the air conditioning industry, from Larkin (UK) Limited. The acquisition cost of £0.45m was funded through cash.