

00882439

Alpha Therm Limited

Report and Financial Statements

31 December 2008

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COMPANIES HOUSE

Alpha Therm Limited

Registered No. 00882439

Directors

A Amadei
C B Jones
M Maini
P Alberici

Secretary

T Jones

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Bankers

HSBC Bank Plc
184 High Street
Bromley
Kent BR1 1HE

Registered Office

Nepicar House
London Road
Wrotham Heath
Sevenoaks
Kent TN15 7RS

Directors' report

The directors present their report and financial statements for the year ended 31 December 2008.

Results and dividends

The loss for the year, after taxation, amounted to £333,000 (2007 – loss of £311,000). Ordinary dividends of £nil (2007 – £550,000) were paid during the year.

Principal activities and review of the business

The principal activity of the company during the year was supply of domestic and light commercial central heating and hot water solutions developed to the company's specification.

The company's key financial indicators, as used by management in reviewing the performance of the business for the year, are as follows:

	2008 £000	2007 £000	Change %
Turnover	35,886	40,143	(11%)
Operating loss	396	283	40%
Loss after tax	333	311	7%
Warranty provision	2,234	2,113	6%
Shareholders' funds	223	556	(60%)
Average monthly number of employees	71	76	(7%)

The effect of foreign exchange movements, particularly in the last quarter of the financial year, has had a significant impact on the results for the year. The underlying profitability of the business is satisfactory and the directors will ensure that this underpins the strategic direction of the business going forward.

Whilst turnover and volumes fell, this was expected and in line with the company's plans. The company has withdrawn from high volume, low margin contracts and have concentrated on margin generative business. This will ensure a stable platform for the company to return to overall profitability.

The directors believe that 2009 will be a very challenging year in the company's marketplace. With a unique portfolio of product and innovative solutions, along with strong control of costs and a supportive Parent Company, the directors are confident that the business will face up to and meet the challenges that will come in the current economic climate.

Financial instruments

The financial risk management objectives and policies of the company for hedging major forecasted transactions are detailed in note 1 to the financial statements.

The company has foreign exchange exposure on amounts due to group undertakings. It is the company's policy to minimise this exposure by using financial instruments to fix the price of forecast foreign exchange requirements as they arise. It is not the company's policy to hedge against any risks other than cash flow. This is achieved by using forward foreign exchange contracts.

At 31 December 2008 the company had a number of commitments under forward foreign exchange contracts with varying settlement dates to 6 May 2009. The directors do not consider the book value of these to materially differ from the fair value.

Directors' report

Financial instruments (continued)

The directors' understanding of risk and the company's exposure to risk as a result of using financial instruments is as follows:

Price risk

Risk that the value of a financial instrument will fluctuate as a result of changes in market prices. Risk is minimal as the transacted rate and quantity of currency are fixed in advance.

Credit risk

Risk that one party to a financial instrument will fail to discharge their obligation and cause the other party to incur a financial loss. The directors believe this to be related to the counterparty the company transacts with. This is always a reputable high street bank, exposure is therefore minimal.

Liquidity risk

Risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The directors consider this risk to be relevant to the company, cash flow is regularly monitored, the company has been using such contracts for a number of years and is therefore aware of the working capital commitment. To the best of the directors' knowledge there are no foreseeable constraints in discharging obligations in relation to forward contracts.

Cash flow risk

Risk that future cash flows of a financial instrument will fluctuate. The intention of forward contracts is to minimise volatile cash flow resulting from the exposure of the company to foreign exchange risk. Considering the rate and amount are fixed this exposure is again minimal.

Principal risks and uncertainties

The directors consider that the principal risks and uncertainties facing the company currently include future foreign exchange rates affecting future purchasing costs of products that it imports.

From 1 February 2009 the Company has reached agreement with its largest supplier, which is a group undertaking, to be invoiced in Sterling. This will substantially reduce the potential impact of foreign exchange on the company's trading results.

Future developments

The company continues to develop new, exciting and innovative products for the market. The directors firmly believe that the development of unique solutions will give the business a strong position in its very challenging marketplace. With householders facing continued increases in energy costs, and installers seeking competitive advantage in gaining customers, it is important that the company develops new and unique products that will increase the efficiency of heating and hot water systems.

The company continually monitors impending legislative changes to ensure that its development plans consider the likely impact of those changes if and when they arise.

Directors

The directors who held office during the year, were as follows:

A Amadei

C B Jones

M Maini (appointed 23 April 2008)

P Alberici (appointed 23 April 2008)

A D Crown (resigned 23 April 2008)

G McKinnon (resigned 23 April 2008)

T Jones (resigned 23 April 2008)

Directors' report

Disclosure of information to the auditors

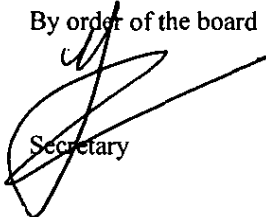
The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board



Secretary

- 3 AUG 2009

Statement of directors' responsibilities

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). The financial statements are required by law to 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 judgements and 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Independent auditor's report

to the members of Alpha Therm Limited

We have audited the company's financial statements for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditor's report

to the members of Alpha Therm Limited

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
London

6 August 2009

Profit and loss account

for the year ended 31 December 2008

	<i>Notes</i>	<i>2008</i> <i>£000</i>	<i>2007</i> <i>£000</i>
Turnover	2	35,886	40,143
Cost of sales		(30,798)	(34,566)
Gross profit		5,088	5,577
Distribution costs		(742)	(1,334)
Administrative expenses		(4,909)	(4,749)
Other operating income		167	223
Operating loss	3	(396)	(283)
Interest receivable	6	9	20
Loss on continuing operations before taxation		(387)	(263)
Tax on loss on ordinary activities	7	54	(48)
Loss for the financial year		(333)	(311)

Statement of total recognised gains and losses

for the year ended 31 December 2008

There are no recognised gains or losses other than the loss of £333,000 attributable to the shareholders for the year ended 31 December 2008 (2007 – loss of £311,000).

Balance sheet

at 31 December 2008

	Notes	2008 £000	2007 £000
Fixed assets			
Tangible assets	9	373	504
Current assets			
Stocks	10	5,513	5,970
Debtors	11	5,246	6,744
Cash at bank and in hand		2,487	2,145
		13,246	14,859
Creditors: amounts falling due within one year	12	(11,162)	(12,694)
Net current assets		2,084	2,165
Total assets less current liabilities		2,457	2,669
Provisions for liabilities	13	(2,234)	(2,113)
		223	556
Capital and reserves			
Called up share capital	16	—	—
Profit and loss account	17	223	556
Shareholders' funds	17	223	556

Director



- 3 AUG 2009

Notes to the financial statements

at 31 December 2008

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in Directors' Report on pages 2 to 4.

The financial statements have been prepared on a going concern basis. The company should the need arise is dependent for its working capital on funds provided to it by the controlling party, Immerfin SpA. Immerfin SpA has provided the company with an undertaking that for a period of at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company to enable it to meet its liabilities as and when they fall due. This together with its own working capital will, in the opinion of the directors, enable the company to continue in operational existence for the foreseeable future.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Statement of cash flows

The company has taken advantage of the exemption under FRS 1 not to prepare a statement of cash flows as the company is a wholly owned subsidiary of a parent which prepares consolidated financial statements available to the public.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Office equipment	–	10% – 33% per annum
Software	–	14% – 25% per annum

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the financial statements

at 31 December 2008

1. Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. The company also hedges against exposure to foreign exchange risk.

All differences are taken to the profit and loss account.

Financial instruments - forward foreign currency contracts

The company's purchases in foreign currencies, net of company sales in those currencies, represent more than 50% of total material and component purchases. Regularly, the company enters into forward exchange contracts for the purchase of approximately 60% of anticipated future expenditure in Euros for up to 6 months ahead.

The criteria for forward foreign currency contracts are:

- the instrument must be related to a firm foreign currency commitment
- it must involve the same currency as the hedged item
- it must reduce the risk of foreign currency exchange movements on the company's operations

The rates under such contracts are used to record the hedged item. As a result, gains and losses are offset against the foreign exchange gains and losses on the related financial assets and liabilities, or where the instrument is used to hedge a committed future transaction, are not recognised until the transaction occurs.

Operating leases

Payments due under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Pension costs

The company operates a discretionary defined contribution scheme. This is operated on an individual employee basis by the Trustees. It is funded in accordance with the Trust Deed and the company's contributions are charged to the profit and loss account in the year in which contributions are made.

Provisions for liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions for the expected warranty claims are charged against profits when products have been invoiced. Warranty periods vary according to the product but for the majority are no longer than 5 years.

Revenue recognition

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

Notes to the financial statements

at 31 December 2008

2. Turnover

Turnover represents the total amount of goods sold and services rendered in the year exclusive of VAT.

The directors are of the opinion that the company's activities, which are all continuing, fall within one business segment, being the supplying of central heating boilers.

An analysis of turnover by geographical market is given below:

	2008 £000	2007 £000
United Kingdom	35,521	39,715
Europe (other than the United Kingdom)	365	428
	<u>35,886</u>	<u>40,143</u>

3. Operating loss

This is stated after charging/(crediting):

	2008 £000	2007 £000
Auditor's remuneration – audit services	22	22
– taxation services	4	4
– other services	–	5
	<u>(111)</u>	<u>(136)</u>
Rent receivable	(111)	(136)
	<u>247</u>	<u>242</u>
Depreciation of owned fixed assets	247	242
	<u>443</u>	<u>363</u>
Operating lease rentals – land and buildings	443	363
– plant and machinery	80	275
	<u>80</u>	<u>275</u>

4. Directors' emoluments

The amounts in respect of all directors are as follows:

	2008 £000	2007 £000
Aggregate emoluments in respect of qualifying services	227	326
	<u>23</u>	<u>25</u>
Aggregate amounts receivable under long term incentive plans	23	25
	<u>14</u>	<u>20</u>
Value of company pension contributions to money purchase schemes	14	20

The number of directors who are members of the money purchase scheme is 4 (2007 – 4).

Notes to the financial statements

at 31 December 2008

4. Directors' emoluments (continued)

The amounts in respect of the highest paid director are as follows:

	2008 £000	2007 £000
Emoluments	132	110
Value of company pension contributions to money purchase schemes	10	8

5. Staff costs

	2008 £000	2007 £000
Wages and salaries	2,016	1,973
Social security costs	284	260
Other pension costs	109	88
	2,409	2,321

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

	2008 No.	2007 No.
Administrative staff	57	56
Sales staff	14	20
	71	76

6. Interest receivable

	2008 £000	2007 £000
Bank interest receivable	9	20
	9	20

Notes to the financial statements

at 31 December 2008

7. Tax

(a) Tax on loss on ordinary activities

The tax charge is made up as follows:

	2008 £000	2007 £000
<i>Current tax:</i>		
UK corporation tax	–	12
Adjustment in respect of previous periods	7	46
Total current tax (note 7(b))	7	58
<i>Deferred tax:</i>		
Origination and reversal of timing differences (note 7(c))	(61)	(10)
Tax on loss on ordinary activities	(54)	48

(b) Factors affecting tax charge

The tax assessed on the loss on ordinary activities for the period is higher than the standard rate of tax in the UK of 28% (2007 – 30%). The differences are reconciled below:

	2008 £000	2007 £000
Loss on ordinary activities before taxation	(387)	(263)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2007 – 30%)	(110)	(79)
Disallowed expenses and non-taxable income	47	68
Capital allowances in arrears of depreciation	21	18
Other timing difference	7	5
Adjustments in respect of previous periods	42	46
Total current tax (note 7(a))	7	58

Notes to the financial statements

at 31 December 2008

7. Tax (continued)

(c) Deferred tax

	2008 £000	2007 £000
Decelerated capital allowances	28	8
Other timing differences	70	29
Deferred taxation asset (note 11)	98	37
		£000
At 31 December 2007		37
Profit and loss account movement arising during the year		62
Adjustment in respect of prior years		(1)
At 31 December 2008		98

8. Dividends

	2008 £000	2007 £000
Equity dividends on ordinary shares:		
Interim dividend of £nil (2007 – £5,500 per share)	–	550

9. Tangible fixed assets

	Office equipment £000	Software £000	Total £000
Cost:			
At 31 December 2007	865	651	1,516
Additions	43	73	116
At 31 December 2008	908	724	1,632
Depreciation:			
At 31 December 2007	487	525	1,012
Provided during the year	141	106	247
At 31 December 2008	628	631	1,259
Net book value:			
At 31 December 2008	280	93	373
At 31 December 2007	378	126	504

Notes to the financial statements

at 31 December 2008

10. Stocks

	2008 £000	2007 £000
Finished goods and goods for resale	5,513	5,970

11. Debtors

	2008 £000	2007 £000
Trade debtors	4,830	6,401
Prepayments and accrued income	220	201
Corporation tax	98	105
Deferred tax asset (note 7(c))	98	37
	<u>5,246</u>	<u>6,744</u>

12. Creditors: amounts falling due within one year

	2008 £000	2007 £000
Trade creditors	998	1,289
Amounts owed to group undertakings	8,686	9,510
Other taxation and social security	619	949
Accruals and deferred income	859	946
	<u>11,162</u>	<u>12,694</u>

13. Provisions for liabilities

	2008 £000	2007 £000
Warranty provision:		
Balance brought forward	2,113	1,620
Addition during the year	1,347	1,804
Released in the year	(1,226)	(1,311)
	<u>2,234</u>	<u>2,113</u>

A provision is recognised for expected warranty claims on products sold. Products have varying lengths of warranty periods the majority of which are no longer than five years.

Notes to the financial statements

at 31 December 2008

14. Commitments under operating leases

At 31 December 2008 the company had annual commitments under non-cancellable operating leases as set out below:

	2008		2007	
	<i>Land and Buildings</i>	<i>Other</i>	<i>Land and Buildings</i>	<i>Other</i>
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	–	95	–	32
In two to five years	468	157	252	199
In over five years	–	–	216	–
	<u>468</u>	<u>252</u>	<u>468</u>	<u>231</u>

15. Other financial commitments

The company's bankers have a debenture on the overdraft facility of the company dated 21 April 2004 over the company's assets. There is also a fixed and floating charge over the book debts and all other assets.

16. Authorised and issued share capital

<i>Authorised</i>	2008		2007	
	<i>No.</i>		<i>No.</i>	
Ordinary shares of £1 each		1,000		1,000
		<u>1,000</u>		<u>1,000</u>
<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>£</i>	<i>No.</i>	<i>£</i>
Ordinary shares of £1 each	100	100	100	100
		<u>100</u>		<u>100</u>

17. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total share- holders' funds</i>
	£000	£000	£000
At 1 January 2007	–	1,417	1,417
Loss for the year	–	(311)	(311)
Dividends paid (note 8)	–	(550)	(550)
At 31 December 2007	–	556	556
Loss for the year	–	(333)	(333)
At 31 December 2008	–	223	223

Notes to the financial statements

at 31 December 2008

18. Related party transactions

The company has taken advantage of the exemption conferred in FRS 8 not to disclose transactions with other members of the Immerfin SpA group as it is a wholly owned subsidiary within this group, whose financial statements are publicly available.

19. Ultimate parent undertaking and controlling party

The company's ultimate parent undertaking and controlling party and largest and smallest group in whose financial statements the company is consolidated is Immerfin SpA, a company incorporated in Italy. The group financial statements can be obtained from Immerfin SpA, Via Cisa Ligure, 95 42041 Brescello Reggio Emilia, Italy.