

Company Registration No. 00882439 (England and Wales)

Alpha Therm Limited

**Annual report and financial statements
for the year ended 31 December 2016**



Alpha Therm Limited

Company information

Directors	Alfredo Amadei Massimo Maini Pietro Alberici Andrea Carmeli Joelle Timperley
Company number	00882439
Registered office	Nepicar House London Road Wrotham Heath Sevenoaks Kent TN15 7RS
Independent auditors	Saffery Champness 71 Queen Victoria Street London EC4V 4BE
Bankers	Barclays Bank plc PO Box 299 Birmingham B1 3PF

Alpha Therm Limited

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Alpha Therm Limited

Strategic report

For the year ended 31 December 2016

The directors present the strategic report for the year ended 31 December 2016.

Review of the business

Challenging market conditions have led to a decrease in revenue for the year to £22.3m (2015: £25.5m) whilst profit after tax has decreased to £176k (2015: £1m).

The biggest movement across our industry has been caused by the result of the UK referendum on EU membership. After a strong first half of the year, the sharp decrease of Sterling against the Euro following the result of the referendum has been the main contributor during the following months. This obviously had a significant impact on all the imported goods.

In light of this volatility, the company has successfully managed to keep strong control over general costs and overheads, as well as maintaining a high level of pre and post sales activities in the market.

The Directors continue to review all areas of the business and foresee the company growing stronger in both the commercial and renewables markets.

Principal risks and uncertainties

It is expected that the domestic heating appliance market will again remain very competitive.

The Company will aim to manage this risk by ensuring that products and services are aligned with market expectations and believes that the new products that are planned to be launched in 2017 will ensure that this objective is met.

Risk associated with the possible weakening of Sterling against the Euro, after the UK government trigger the Brexit process will be closely managed with a forward hedging policy which has been put in place.

The Company deem the risk attributed to product reliability to be low. R&D facilities of our parent company have been further enlarged to carry out even more extensive tests and field trials to ensure a very high reliability.

After reviewing the company's operating budget, financing arrangements and possible financial risks, the directors consider that the company has adequate financial resources to continue in operation for at least 12 months from the date of approval of these financial statements and for the foreseeable future. Thus the directors are satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements.

Alpha Therm Limited

**Strategic report (continued)
For the year ended 31 December 2016**

Key performance indicators

The directors consider the following key performance indicators when assessing the performance of the company:

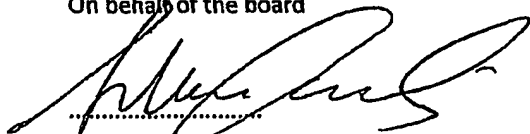
Turnover: turnover has decreased in the year by £3,107k to £22,343k (2015: £25,450k).

Operating Profit: the operating profit for 2016 has decreased by £777k in the year to £535k (2015: £1,312k).

Profit after tax: profits after tax have decreased in the year to £176k (2015: £1,007k).

Monitoring of every profit centre across the business in terms of sales and volumes and associated margins is performed to ensure maximum efficiencies within operations, examples include, staffing, accessory products, spare parts, returns etc. Because of the commercially sensitive nature of these activities, we do not wish to elaborate further.

On behalf of the board



.....
Andrea Carnéli

Director

29/03/2017
.....

Alpha Therm Limited

Directors' report

For the year ended 31 December 2016

The directors present their annual report and financial statements for the year ended 31 December 2016.

Principal activities

The principal activity of the company continued to be that of a supplier and service provider of domestic and light commercial central heating & hot water systems.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Alfredo Amadei

Massimo Maini

Pietro Alberici

Andrea Carmeli

Joelle Timperley

Results and dividends

The results for the year are set out on page 7.

Future developments

The company's long term strategy is to expand the product's portfolio and to introduce new more environmental friendly technologies. In particular, the directors believe that the offering of a whole system solution for the heating demands of dwellings will be the core element of the market in the coming years. Similar solutions have already been introduced by our parent company and the local knowledge that Alpha has gained over the years will ensure a smooth introduction in the UK market as well.

The directors believe that the investments made into research and development will continue to provide to the company a highly innovative product that is at the forefront of our industry sector. The implementation and the timing of these changes in the market are monitored by the company on an ongoing basis to ensure that Alpha are always able to offer products and solutions that meet with our customers' expectations.

Auditors

Saffery Champness have expressed their willingness to remain in office as auditors of the company.

Alpha Therm Limited

Directors' report (continued)

For the year ended 31 December 2016

Statement of directors' responsibilities

The directors are responsible for preparing 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

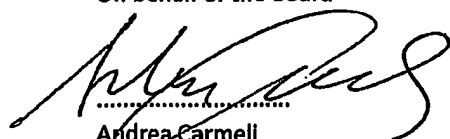
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Statement of disclosure to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



.....
Andrea Carmelli

Director
29/03/2017
.....

Alpha Therm Limited

Independent auditors' report

To the members of Alpha Therm Limited

We have audited the financial statements of Alpha Therm Limited for the year ended 31 December 2016 set out on pages 7 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 3 - 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Basis of qualified opinion on financial statements

Alpha Therm Limited's corporation tax charge of £79k for the year ended 31 December 2016 is based on the assumption that transactions with connected parties are recognised for tax purposes on an arms' length basis. We were unable to obtain sufficient appropriate audit evidence with regard to the valuation of intra-group transactions due to the lack of documentation made available to us. Consequently we were unable to determine whether any adjustments to the tax charge, as disclosed in Note 8 to the accounts, were necessary. Had this information been available to us we might have formed a different opinion on the financial statements.

Alpha Therm Limited

Independent auditors' report (continued)
To the members of Alpha Therm Limited

Qualified opinion on the financial statements

In our opinion, except for the possible effects of the matter described in the Basis of qualified opinion paragraph, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006; and

Opinion on other matters prescribed by the Companies Act 2006

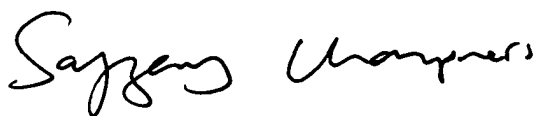
In our opinion, based on the work undertaken in the course of our audit, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and the Strategic Report and the Directors'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

Matters on which we are required to report by exception

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



Richard Collis (Senior Statutory Auditor)
for and on behalf of Saffery Champness

Chartered Accountants
Statutory Auditors

30 March 2017

71 Queen Victoria Street
London
EC4V 4BE

Alpha Therm Limited**Statement of comprehensive income
For the year ended 31 December 2016**

	Notes	2016 £ '000	2015 £ '000
Turnover	3	22,343	25,450
Cost of sales		(16,985)	(19,390)
Gross profit		<u>5,358</u>	<u>6,060</u>
Distribution costs		(621)	(479)
Administrative expenses		(4,444)	(4,330)
Other operating income		242	61
Operating profit	5	<u>535</u>	<u>1,312</u>
Other gains and losses	6	(280)	-
Profit before taxation		<u>255</u>	<u>1,312</u>
Taxation	8	(79)	(305)
Profit for the financial year	19	<u><u>176</u></u>	<u><u>1,007</u></u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

Alpha Therm Limited**Balance sheet****As at 31 December 2016**

	Notes	£ '000	2016 £ '000	£ '000	2015 £ '000
Fixed assets					
Tangible assets	9		148		195
Current assets					
Stocks	11	1,581		1,565	
Debtors	14	5,277		7,133	
Cash at bank and in hand		2,545		1,580	
		<u>9,403</u>		<u>10,278</u>	
Creditors: amounts falling due within one year	15	<u>(6,336)</u>		<u>(7,605)</u>	
Net current assets			<u>3,067</u>		<u>2,673</u>
Total assets less current liabilities			<u>3,215</u>		<u>2,868</u>
Provisions for liabilities	17		<u>(2,549)</u>		<u>(2,378)</u>
Net assets			<u><u>666</u></u>		<u><u>490</u></u>
Capital and reserves					
Called up share capital	12		-		-
Profit and loss reserves	19		666		490
Total equity			<u><u>666</u></u>		<u><u>490</u></u>

The financial statements were approved by the board of directors and authorised for issue on 29/3/2017 and are signed on its behalf by:


.....
Andrea Carmeli
Director

Company Registration No. 00882439

Alpha Therm Limited

**Statement of changes in equity
For the year ended 31 December 2016**

	Notes	Profit and loss reserves £ '000
Balance at 1 January 2015		358
Year ended 31 December 2015:		
Profit and total comprehensive income for the year		1,007
Dividends	10	(875)
Balance at 31 December 2015		<u>490</u>
Year ended 31 December 2016:		
Profit and total comprehensive income for the year		176
Balance at 31 December 2016		<u><u>666</u></u>

Alpha Therm Limited

Statement of cash flows

For the year ended 31 December 2016

	Notes	£ '000	2016 £ '000	£ '000	2015 £ '000
Cash flows from operating activities					
Cash generated from operations	23		2,096		78
Income taxes paid			(218)		(301)
			<u> </u>		<u> </u>
Net cash inflow/(outflow) from operating activities			1,878		(223)
Investing activities					
Purchase of tangible fixed assets		(38)		(128)	
		<u> </u>		<u> </u>	
Net cash used in investing activities			(38)		(128)
Financing activities					
Dividends paid		(875)		(600)	
		<u> </u>		<u> </u>	
Net cash used in financing activities			(875)		(600)
			<u> </u>		<u> </u>
Net increase/(decrease) in cash and cash equivalents			965		(951)
Cash and cash equivalents at beginning of year			1,580		2,531
			<u> </u>		<u> </u>
Cash and cash equivalents at end of year			2,545		1,580
			<u> </u>		<u> </u>

Alpha Therm Limited

Notes to the financial statements For the year ended 31 December 2016

1 Accounting policies

Company information

Alpha Therm Limited is a private company limited by shares incorporated in England and Wales. The registered office is Nepicar House, London Road, Wrotham Heath, Sevenoaks, Kent, TN15 7RS.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £ '000.

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

The company is heavily reliant on its parent company, Immerfin, in particular for the supply of stock. Alpha Therm Limited is a key component of Immerfin's overseas operations and the directors expect their support to continue for the foreseeable future.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

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), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

1.4 Intangible fixed assets other than goodwill

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1 Accounting policies (continued)

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Office equipment	10-33% per annum
Software	10-25% per annum

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Impairment of fixed assets

At each reporting end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1 Accounting policies (continued)

1.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets

Other financial assets are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Trade debtors, loans and other debtors are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for current debtors when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

1 Accounting policies (continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans and loans from fellow group companies that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as creditors falling due in more than one year. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1 Accounting policies (continued)

Other financial liabilities

Other financial liabilities, including debt instruments that do not meet the definition of a basic financial instrument, are measured at fair value through profit or loss.

Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1 Accounting policies (continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income. 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.

1.13 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Provisions for 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.

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Alpha Therm Limited

Notes to the financial statements (continued)
For the year ended 31 December 2016

1 Accounting policies (continued)

1.15 Retirement benefits

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.16 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease.

1.17 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2 Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Warranty

The company provides warranty coverage on products for a varying number of years. Estimated warranty costs are accounted for by accruing costs for each product upon recognition of the sale. The estimated warranty costs are based on historical product performance and field expenses. Based upon historical service records, the average service hours charged and parts per product are used to determine the estimated warranty charge.

On an annual basis, the Company assesses, and updates if necessary, its accounting estimates used to calculate the standard warranty provision based on recent historical warranty expenses and expected future warranty expenses. The actual product performance and/or field expense profiles may differ, and in such cases warranty reserves are adjusted accordingly. Future warranty expenses may exceed estimates, which could lead to an increase in cost of sales.

In 2015, the warranty rate was reassessed, resulting in a change to previous accounting estimates. This rate reduction was required in light of improved product reliability and better fault diagnosis.

Stock provisions

Management reviews the inventory balances to determine if inventories can be sold at amounts greater than or equal to their carrying amounts plus costs to sell. The review is broken down into product groups to allow clearer identification of slow moving inventories, obsolete inventories and partially or fully damaged inventories. The identification process includes historical performance of the inventory along with current operational plans. Damaged stock is written off or provided for depending on the extent of damage. Management makes an allowance for any items considered to be obsolete. The allowance represents the difference between the cost of inventory and its estimated net realisable value.

Stock held by Service Engineers is counted and reviewed at least once per year, with any necessary adjustments being performed at the count.

2 Critical accounting judgements and key sources of estimation uncertainty (continued)

Debtors

The provision for impairment of receivables requires that management closely review the outstanding trade receivables, also considering ageing, payment history and credit risk coverage. An assessment is made on an individual basis with each customer's balance being reviewed closely.

Accruals for promotions and loyalty support

Promotional discounts are offered at various stages throughout the year to support sales of various products. Promotional activity will always be dependent on market conditions and negotiations with customers. Rates and length of promotional periods are all known at the point of providing an accrual, however judgement about the uptake on promotional activity is arrived at by reviewing historical trends along with other calculations.

Contract support is offered to help support pricing in the competitive new build sector. Contracts are made with parties detailing rates and estimated quantities. Judgement is necessary in order to predict the progress on each development. This is achieved through close communication with installers whilst also considering historical trends.

Both Promotional Discounts and Contract support are generally charged to the statement of profit or loss at the relevant time. Although provisions are reviewed on a regular basis and adjusted for management's best current estimates, the judgmental nature of these items means that future amounts settled may be different from those provided.

Transactions with connected parties

The company enters into a number of transactions with other group entities. The directors estimate that these transactions are made on an arms' length basis in line with the trade agreement in place.

3 Turnover and other revenue

Turnover analysed by geographical market

	2016 £ '000	2015 £ '000
United Kingdom	22,171	25,310
Europe (other than The United Kingdom)	172	140
	<u>22,343</u>	<u>25,450</u>

Alpha Therm Limited**Notes to the financial statements (continued)**
For the year ended 31 December 2016**4 Employees**

The average monthly number of persons (including directors) employed by the company during the year was:

	2016 Number	2015 Number
Administrative staff	42	46
Sales staff	21	15
	<u>63</u>	<u>61</u>

Their aggregate remuneration comprised:

	2016 £ '000	2015 £ '000
Wages and salaries	2,300	2,158
Social security costs	257	248
Pension costs	114	101
	<u>2,671</u>	<u>2,507</u>

5 Operating profit

	2016 £ '000	2015 £ '000
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	(117)	8
Research and development costs	32	18
Fees payable to the company's auditors for the audit of the company's financial statements	28	52
Depreciation of owned tangible fixed assets	85	71
Cost of stocks recognised as an expense	15,066	16,807
Operating lease charges	529	553
	<u></u>	<u></u>

6 Other gains and losses

	2016 £ '000	2015 £ '000
Fair value gains/(losses) on financial instruments		
Change in value of financial assets held at fair value through profit or loss	(280)	-
	<u></u>	<u></u>

Alpha Therm Limited

Notes to the financial statements (continued)
For the year ended 31 December 2016

7 Directors' remuneration

	2016	2015
	£ '000	£ '000
Remuneration for qualifying services	123	139
Company pension contributions to defined contribution schemes	5	2
	<u>128</u>	<u>151</u>

8 Taxation

	2016	2015
	£ '000	£ '000
Current tax		
UK corporation tax on profits for the current period	86	292
	<u> </u>	<u> </u>
Deferred tax		
Origination and reversal of timing differences	(7)	13
	<u> </u>	<u> </u>
Total tax charge	<u>79</u>	<u>305</u>

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2016	2015
	£ '000	£ '000
Profit before taxation	<u>255</u>	<u>1,312</u>
Expected tax charge based on a corporation tax rate of 20% (2015: 20.25%)	51	266
Tax effect of expenses that are not deductible in determining taxable profit	29	40
Other tax adjustments	(1)	(1)
	<u> </u>	<u> </u>
Tax expense for the year	<u>79</u>	<u>305</u>

Alpha Therm Limited

Notes to the financial statements (continued)
For the year ended 31 December 2016

9 Tangible fixed assets

	Office equipment	Software	Total
	£ '000	£ '000	£ '000
Cost			
At 1 January 2016	252	81	333
Additions	21	17	38
Disposals	(17)	-	(17)
At 31 December 2016	256	98	354
Depreciation and impairment			
At 1 January 2016	93	45	138
Depreciation charged in the year	61	24	85
Eliminated in respect of disposals	(17)	-	(17)
At 31 December 2016	137	69	206
Carrying amount			
At 31 December 2016	119	29	148
At 31 December 2015	159	36	195

10 Dividends

	2016 £ '000	2015 £ '000
Final payable	-	875
	-	875

11 Stocks

	2016 £ '000	2015 £ '000
Finished goods and goods for resale	1,581	1,565

Alpha Therm Limited

Notes to the financial statements (continued)
For the year ended 31 December 2016

12 Share capital

	2016	2015
	£	£
Authorised		
100 Ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>
Issued and fully paid		
100 Ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>

13 Financial instruments

	2016	2015
	£ '000	£ '000
Carrying amount of financial assets		
Debt instruments measured at amortised cost	5,153	7,025
	<u> </u>	<u> </u>
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
- Other financial liabilities	280	-
Measured at amortised cost	5,334	6,530
	<u> </u>	<u> </u>

The company enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency receivables.

Foreign currency contracts

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the forward exchange rates for GBP:EURO.

As at 31 December 2016, the outstanding contracts all mature within 11 months (2015: 9 months) of the year end. The company is committed to buy a maximum EUR 9,745,956, and receive a fixed sterling amount. This amount could reduce depending upon the performance of the contracts within the foreign exchange markets.

14 Debtors

	2016	2015
	£ '000	£ '000
Amounts falling due within one year:		
Trade debtors	5,086	6,919
Other debtors	67	72
Prepayments and accrued income	124	142
	<u> </u>	<u> </u>
	5,277	7,133
	<u> </u>	<u> </u>

Alpha Therm Limited

Notes to the financial statements (continued)

For the year ended 31 December 2016

15 Creditors: amounts falling due within one year

	2016 £ '000	2015 £ '000
Trade creditors	205	406
Amounts due to group undertakings	3,950	4,019
Corporation tax	58	190
Other taxation and social security	664	885
Derivative financial instruments	280	-
Dividends payable	-	875
Other creditors	85	50
Accruals and deferred income	1,094	1,180
	<u>6,336</u>	<u>7,605</u>

16 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2016 £ '000	Liabilities 2015 £ '000
Balances:		
Deferred tax liability	<u>2</u>	<u>9</u>

17 Provisions for liabilities

	Notes	2016 £ '000	2015 £ '000
Warranty provision		2,547	2,369
Deferred tax liabilities	16	<u>2</u>	<u>9</u>
		<u>2,549</u>	<u>2,378</u>

Alpha Therm Limited

Notes to the financial statements (continued)
For the year ended 31 December 2016

17 Provisions for liabilities (continued)

Movements on provisions apart from retirement benefits and deferred tax liabilities:

	£ '000
At 1 January 2016	2,364
Additional provisions in the year	1,119
Utilisation of provision	(936)
	<hr/>
At 31 December 2016	2,547
	<hr/>

18 Retirement benefit schemes

Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The charge to profit and loss in respect of defined contribution schemes was £113,635 (2015 - £100,578)

Alpha Therm Limited

Notes to the financial statements (continued)
For the year ended 31 December 2016

19 Profit and loss reserves

	2016	2015
	£ '000	£ '000
At the beginning of the year	490	358
Profit for the year	176	1,007
Dividends	-	(875)
	<hr/>	<hr/>
At the end of the year	666	490
	<hr/>	<hr/>

20 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2016	2015
	£ '000	£ '000
Aggregate compensation	219	328
	<hr/>	<hr/>

Transactions with related parties

The company has taken advantage of the exemption conferred in FRS102 Section 33 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.

The following amounts were outstanding at the reporting end date:

	2016	2015
	£ '000	£ '000
Amounts owed to related parties		
Entities with control, joint control or significant influence over the company	3,950	4,019
	<hr/>	<hr/>
	3,950	4,019
	<hr/>	<hr/>

Alpha Therm Limited**Notes to the financial statements (continued)**
For the year ended 31 December 2016**21 Operating lease commitments****Lessee**

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016 £ '000	2015 £ '000
Within one year	503	510
Between two and five years	1,365	1,567
In over five years	1,760	1,980
	<u>3,628</u>	<u>4,057</u>

22 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.

23 Cash generated from operations

	2016 £ '000	2015 £ '000
Profit for the year after tax	176	1,007
Adjustments for:		
Taxation charged	79	305
Depreciation and impairment of tangible fixed assets	85	71
Other gains and losses	280	-
Increase/(decrease) in provisions	178	(284)
Movements in working capital:		
(Increase)/decrease in stocks	(16)	312
Decrease/(increase) in debtors	1,856	(818)
(Decrease) in creditors	(542)	(515)
Cash generated from operations	<u>2,096</u>	<u>78</u>