

2218394

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
FOR
ECOFLAM (U.K.) LIMITED**

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FOR THE YEAR ENDED 31 DECEMBER 2010**

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ECOFLAM (U.K.) LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2010**

DIRECTORS:

C K Stone
P Marinovich
A Mariotto
C Martinangeli

SECRETARY:

J T Hill

REGISTERED OFFICE:

12 Goodwood Road
Keytec Business Park
Pershore
Worcestershire
WR10 2JL

REGISTERED NUMBER:

2218394 (England and Wales)

AUDITORS:

Clifton-Crick Sharp & Co
Chartered Accountants
Registered Auditors
40 High Street
Pershore
Worcestershire
WR10 1DP

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2010**

The directors present their report with the financial statements of the company for the year ended 31 December 2010

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the supply of oil and gas burners and spares

REVIEW OF BUSINESS

Sales increased by 13% in the year under review. However due to increased costs the margins obtained on these sales fell 10% resulting in a fall in gross profit.

Operating costs continued to be controlled and showed an increase of 2.7% during the year to leave a pre-tax loss of £200,240 (2009 profit £52,053).

The directors believe that improvements in margins will help the company return to profitability in the current year.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2010.

FUTURE DEVELOPMENTS

The directors have been advised of the decision by Ecoflam Bruciatori SpA to invest a further £500,000 in the issued share capital of Ecoflam (UK) Limited. This further investment, which will eliminate the company's deficit and assist in the financing of working capital requirements, will occur in the current year.

DIRECTORS

C K Stone has held office during the whole of the period from 1 January 2010 to the date of this report.

Other changes in directors holding office are as follows:

A Rizzi - resigned 13 October 2010

A Mariotto - appointed 13 October 2010

C Martinangeli was appointed as a director after 31 December 2010 but prior to the date of this report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors 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 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.

ECOFLAM (U K) LIMITED (REGISTERED NUMBER: 2218394)

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2010**

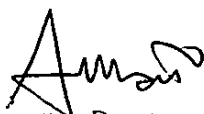
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

AUDITORS

The auditors, Clifton-Crick Sharp & Co , will be proposed for re-appointment at the forthcoming Annual General Meeting

ON BEHALF OF THE BOARD:



A Mariotto - Director

Date 30th March 2011

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF ECOFLAM (U.K.) LIMITED

We have audited the financial statements of Ecoflam (U K) Limited for the year ended 31 December 2010 on pages five to twelve. 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).

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 a Report of the Auditors 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 Statement of Directors' Responsibilities set out on page two, 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 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.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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.



Peter Charles Dann (Senior Statutory Auditor)
for and on behalf of Clifton-Crick Sharp & Co
Chartered Accountants
Registered Auditors
40 High Street
Pershore
Worcestershire
WR10 1DP

Date

1 April 2011

ECOFLAM (U.K.) LIMITED (REGISTERED NUMBER: 2218394)**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Notes	31 12 10 £	£	31 12 09 £	£
TURNOVER	2		3,290,256		2,912,615
Cost of sales			2,797,390		2,176,680
GROSS PROFIT			492,866		735,935
Distribution costs		193,533		111,742	
Administrative expenses		486,415		550,466	
			679,948		662,208
OPERATING (LOSS)/PROFIT	4		(187,082)		73,727
Interest receivable and similar income			45		28
			(187,037)		73,755
Interest payable and similar charges	5		13,203		21,702
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			(200,240)		52,053
Tax on (loss)/profit on ordinary activities	6		-		(179)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION			(200,240)		52,232

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the loss for the current year and the profit for the previous year

NOTE OF HISTORICAL COST PROFITS AND LOSSES

The difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis is not material


The notes form part of these financial statements

ECOFLAM (U.K.) LIMITED (REGISTERED NUMBER: 2218394)

**BALANCE SHEET
31 DECEMBER 2010**

	Notes	31 12 10 £	£	31 12 09 £	£
FIXED ASSETS					
Tangible assets	7		289		1,225
CURRENT ASSETS					
Stocks	8	472,898		496,726	
Debtors	9	854,500		952,193	
Cash at bank and in hand		138,900		317,762	
		1,466,298		1,766,681	
CREDITORS					
Amounts falling due within one year	10	1,499,827		1,600,906	
NET CURRENT (LIABILITIES)/ASSETS			(33,529)		165,775
TOTAL ASSETS LESS CURRENT LIABILITIES			(33,240)		167,000
CAPITAL AND RESERVES					
Called up share capital	13		1,000		1,000
Profit and loss account	14		(34,240)		166,000
SHAREHOLDERS' FUNDS	18		(33,240)		167,000

The financial statements were approved by the Board of Directors on *30th March 2011* and were signed on its behalf by


C Martinangeli - Director

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

1 ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

Financial Reporting Standard Number 1 (Revised 1996)

The company has taken advantage of the exemption available under FRS 1(Revised 1996) from preparing a cash flow statement as the company is a subsidiary of L-3 Communications Holdings Inc, an entity preparing publicly available consolidated accounts which include a cash flow statement into which the results of the company are consolidated

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life

Improvements to property	- in accordance with the property
Plant and machinery	- 25% on cost
Fixtures and fittings	- 25% on cost
Computer equipment	- 20% on cost

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

Taxation

Current taxation is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantially enacted at the balance sheet date

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 that result in an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date, and is not discounted

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2010

1 ACCOUNTING POLICIES - continued

Going concern

The company meets its day to day working capital requirements through an overdraft facility which is repayable on demand. The company's borrowings are secured by the support of its parent company.

2 TURNOVER

The turnover and loss (2009 - profit) before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below

	31 12 10	31 12 09
	£	£
UK	2,972,229	2,729,336
Europe	318,027	183,279
	<u>3,290,256</u>	<u>2,912,615</u>

3 STAFF COSTS

	31 12 10	31 12 09
	£	£
Wages and salaries	219,425	247,671
Social security costs	24,766	27,314
Other pension costs	17,610	19,044
	<u>261,801</u>	<u>294,029</u>

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

	31 12 10	31 12 09
Administration	5	5
Technical	2	2
Sales	2	2
	<u>9</u>	<u>9</u>

4 OPERATING (LOSS)/PROFIT

The operating loss (2009 - operating profit) is stated after charging

	31 12 10	31 12 09
	£	£
Hire of plant and machinery	3,029	2,627
Other operating leases	15,675	16,068
Depreciation - owned assets	933	1,601
Auditors remuneration - audit work	5,500	5,500
Auditors' remuneration for non audit work	500	500
	<u>25,637</u>	<u>26,306</u>
Directors' remuneration	57,306	60,183
Directors' pension contributions to money purchase schemes	7,215	7,372
	<u>70,158</u>	<u>73,861</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2010

4 OPERATING (LOSS)/PROFIT - continued

The number of directors to whom retirement benefits were accruing was as follows

Money purchase schemes	<u>1</u>	<u>1</u>
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5 INTEREST PAYABLE AND SIMILAR CHARGES

	31 12 10	31 12 09
	£	£
Bank interest	33	2,027
Interest on Group loan	13,170	19,675
	<u>13,203</u>	<u>21,702</u>

6 TAXATION

Analysis of the tax credit

The tax credit on the loss on ordinary activities for the year was as follows

	31 12 10	31 12 09
	£	£
Current tax		
(Over)/ under provision in prior years	-	(179)
Tax on (loss)/profit on ordinary activities	<u>-</u>	<u>(179)</u>

Factors affecting the tax credit

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below

	31 12 10	31 12 09
	£	£
(Loss)/profit on ordinary activities before tax	<u>(200,240)</u>	<u>52,053</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 - 28%)	(56,067)	14,575
Effects of		
Expenses not deductible for tax purposes	1,251	3,060
Accelerated capital allowances	(103)	(8)
Utilisation of tax losses brought forward	54,919	(17,627)
Prior year adjustment	-	(179)
Current tax credit	<u>-</u>	<u>(179)</u>

Factors that may affect future tax charges

As at 31 December 2010 the company has a deferred tax asset of £70,569 (2009 £15,610) which has not been recognised on the grounds that there is insufficient evidence that the asset will be recoverable. The asset would be recovered against future taxable profits of the company.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2010

7 TANGIBLE FIXED ASSETS

	Improvements to property £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Totals £
COST					
At 1 January 2010 and 31 December 2010	17,964	8,385	78,543	55,009	159,901
DEPRECIATION					
At 1 January 2010	17,964	8,385	78,543	53,787	158,679
Charge for year	-	-	-	933	933
At 31 December 2010	17,964	8,385	78,543	54,720	159,612
NET BOOK VALUE					
At 31 December 2010	-	-	-	289	289
At 31 December 2009	-	-	-	1,222	1,222

8 STOCKS

	31 12 10 £	31 12 09 £
Finished goods	472,898	496,726

9 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 12 10 £	31 12 09 £
Trade debtors	810,817	927,360
Amounts owed by group undertakings	18,554	-
Other debtors	4,361	5,247
Prepayments and accrued income	20,768	19,586
	854,500	952,193

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 12 10 £	31 12 09 £
Trade creditors	88,431	63,508
Corporation tax	(224)	(504)
Social security and other taxes	112,236	122,060
Other creditors	5,275	2,039
Amounts owed to group undertakings	1,261,615	1,334,402
Accrued expenses	32,494	79,401
	1,499,827	1,600,906

ECOFLAM (U.K.) LIMITED (REGISTERED NUMBER: 2218394)

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2010**

11 OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year

	Land and buildings		Other operating leases	
	31 12 10 £	31 12 09 £	31 12 10 £	31 12 09 £
Expiring				
Within one year	-	26,000	-	14,945
Between one and five years	26,000	49,079	-	208
	<u>26,000</u>	<u>75,079</u>	<u>-</u>	<u>15,153</u>

12 SECURED DEBTS

The company's overdraft facility is secured by a parent company guarantee

13 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid				
Number	Class	Nominal value	31 12 10 £	31 12 09 £
1,000	Ordinary	£1	<u>1,000</u>	<u>1,000</u>

14 RESERVES

	Profit and loss account £
At 1 January 2010	166,000
Deficit for the year	<u>(200,240)</u>
At 31 December 2010	<u>(34,240)</u>

15 ULTIMATE PARENT COMPANY

The directors regard Ariston Thermo SpA, a company incorporated and registered in Italy, as the ultimate parent company. According to the register kept by the company, Ecoflam Bruciatori SpA has a 100% interest in the equity share capital of Ecoflam (UK) Limited at 31 December 2010, and is ultimately owned by Ariston Thermo SpA.

Ariston Thermo SpA is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 31 December 2010. Copies of the consolidated financial statements of Ariston Thermo SpA may be obtained from the Secretary, Viale Aristide Merloni 45, 60044 Fabriano, Italy.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2010

16 TRANSACTIONS WITH DIRECTORS

The following loan to directors subsisted during the years ended 31 December 2010 and 31 December 2009

	31 12 10 £	31 12 09 £
C K Stone		
Balance outstanding at start of year	3,357	2,734
Amounts advanced	1,199	-
Amounts repaid	(195)	-
Balance outstanding at end of year	<u>4,361</u>	<u>3,357</u>

Advances to the director in the year relate to personal expenditure on the company credit card
 Analysis of transactions in the year, in accordance with Section 413 CA2006

Material advance	£507
Other advances, less than £500	£692
Amounts repaid by director	-£195
Net advances	£1,004

17 RELATED PARTY DISCLOSURES

The company has taken advantage of the exemption available under FRS 8 from disclosing transactions with members of the group to which the company belongs, on the grounds that it is a wholly-owned subsidiary of Ariston Thermo SpA, which prepares publicly available consolidated accounts

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 12 10 £	31 12 09 £
(Loss)/Profit for the financial year	<u>(200,240)</u>	<u>52,232</u>
Net (reduction)/addition to shareholders' funds	(200,240)	52,232
Opening shareholders' funds	<u>167,000</u>	<u>114,768</u>
Closing shareholders' funds	<u>(33,240)</u>	<u>167,000</u>