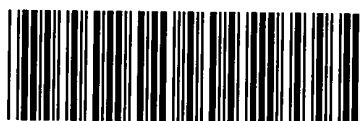


THERMASYS CS UK HOLDING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

THURSDAY



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COMPANIES HOUSE

THERMASYS CS UK HOLDING LIMITED

COMPANY INFORMATION

| | |
|-----------------------------|--|
| DIRECTORS | J Cordosi |
| COMPANY SECRETARY | P A Cox |
| COMPANY NUMBER | 07464159 |
| REGISTERED OFFICE | c/o Covrad Heat Transfer Limited Covrad Sir Henry Parkes Road Canley Coventry West Midlands CV5 6BN |
| INDEPENDENT AUDITORS | PricewaterhouseCoopers LLP Cornwall Court 19 Cornwall Street Birmingham B3 2DT |
| SOLICITORS | Morgan, Lewis & Bockius Condor House 5 - 10 St. Pauls Churchyard London EC4M 8AL |

THERMASYS CS UK HOLDING LIMITED

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THERMASYS CS UK HOLDING LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

STRATEGIC REPORT

Review of the business

The company had a challenging year with business volumes continuing to fall in the power generation market and also in the industrial markets. These difficult conditions also saw margins fall slightly but management continue to believe integration within the greater API group means we are still well placed for the future.

Key performance indicators

Performance during the year and comparison with the previous year are detailed in the table below:

| | 2014 | 2013 | |
|---------------------------------------|---------------|---------|---|
| Growth in sales % (all operations) | (4.6)% | (14.5)% | Year on year sales growth expressed as a percentage. |
| Gross profit % | 18.6% | 19.6% | Sales less cost of sales, before administration expenses, expressed as a percentage of sales. |

The company experienced a downturn in volume of 4.6% in 2014 mainly in the power generation sector which we believe was the result of global market conditions. In the industrial sector volumes fell slightly by 1.3%. In all sectors the gross profit percentage was marginally less due to the volume rather than product mix issues.

Principal risks and uncertainties

Our business, financial condition and results of operations will be influenced by a range of factors, many of which are beyond the control of the company. The risk factors set out below and other information in this report should be considered carefully.

Changes in economic conditions

The two operating companies within the group are affected by world economic conditions to a greater extent than UK economic conditions as the customer base is either international in themselves or their end customers are international. The companies closely monitor demand trends and have demonstrated the ability to adjust the cost base as appropriate.

Financial risk management

Price risk

Commodity price risk is mitigated by material price variation agreements with the major customers

Credit risk

Credit risk is addressed on an individual customer basis with financial stability being accessed for new customers and payment performance monitoring for established customers

Liquidity risk

The companies within the group are working well within the banking facilities currently in place

This report was approved by the board on 9-29-15 and signed on its behalf.


J Cordosi
Director

THERMASYS CS UK HOLDING LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

DIRECTOR'S RESPONSIBILITIES STATEMENT

The director is responsible for preparing the audited consolidated 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 director has prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the director is 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;

The director is 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITIES

The principal activity of the company and its subsidiaries is the design and manufacture of cooling equipment for power generation, marine and rail traction engine markets.

Covrad Heat Transfer Limited focuses primarily on the power generation market whilst Hallco 1516 Limited focuses on the marine and industrial markets

RESULTS AND DIVIDENDS

The profit for the financial year, amounted to £565,563 (2013 - £100,153) The Directors do not recommend the payment of a dividend (2013: £nil).

DIRECTORS

The directors who held office during the year and up to the date of signing the financial statements are given below:

J Cordosi
K Namazi – resigned 10th January 2014

DIRECTOR'S INTERESTS

During the year, no rights to subscribe for shares in the company were granted to or exercised by any director.

THERMASYS CS UK HOLDING LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

FUTURE DEVELOPMENTS

The company will remain committed to ensuring quality in the design, manufacture and maintenance/service of all its products. To this end the company is committed to invest, implement and maintain the standards required to achieve the appropriate quality standards.

The directors are aware that the world economic situation has a direct influence on the business and, whilst they need to be aware of the possibilities of future uncertainties and uneven demand, they remain confident in the medium to long term prospects of the company.

The deficit on the closed defined benefit pension scheme reduced during the year. However the directors believe that this is a longer term funding issue and these short term movements, even when positive, are not reflective of the true situation. The company has agreed a revised funding schedule with the trustees on the basis of the 2013 triennial review and will continue to implement this.

FINANCIAL INSTRUMENTS

During the year the company does not have any abnormal exposure to price, liquidity and cash flow risks arising from its trading activities. In terms of currency risk the company did not enter any hedging transactions and no trading in financial instruments were undertaken. In terms of commodities the company entered into a number of fixing arrangements for copper as part of the API group in order to offer customers a stable price for a given volume of product for a limited time. Whilst there is some timing risk associated with these products the company believes this to be relatively small and is closely monitoring the outcomes of these contracts.

DIRECTOR'S INDEMNITY

The company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for directors and officers of the company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the company.

PROVISION OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Director's Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing its report and to establish that the company's auditors are aware of that information.

THERMASYS CS UK HOLDING LIMITED

**DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014**

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 9-29-15 and signed on its behalf.


J Cordosi
Director

THERMASYS CS UK HOLDING LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THERMASYS CS UK HOLDING LIMITED

REPORT ON THE FINANCIAL STATEMENTS

In our opinion, Thermasys CS UK Holding Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2014 and of the group's profit and cash flows 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.

What we have audited

The financial statements comprise:

- the balance sheets as at 31 December 2014;
- the group profit and loss account and statement of total recognised gains and losses for the year then ended;
- the group cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the director has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Director's remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of director's remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

THERMASYS CS UK HOLDING LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THERMASYS CS UK HOLDING LIMITED

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Director's Responsibilities Statement set out on page 2, the directors is 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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 group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the director; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the director's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and financial statements 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.



Matthew Walker (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

30 September 2015

THERMASYS CS UK HOLDING LIMITED

**GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014**

| | | 2014 | 2013 |
|--|------|-----------------------|---------------------|
| | Note | £ | £ |
| TURNOVER | 1,2 | 31,087,470 | 32,585,726 |
| Cost of sales | | <u>(25,310,474)</u> | <u>(26,208,536)</u> |
| GROSS PROFIT | | 5,776,996 | 6,377,190 |
| Distribution costs | | <u>(556,326)</u> | <u>(592,188)</u> |
| Administrative expenses | | <u>(3,265,618)</u> | <u>(3,791,903)</u> |
| Other operating expenses | | <u>(233,704)</u> | <u>(479,500)</u> |
| OPERATING PROFIT | 3 | 1,721,348 | 1,513,599 |
| Interest payable and similar charges | 6 | <u>(734,208)</u> | <u>(695,550)</u> |
| Other finance costs | 7 | <u>(168,000)</u> | <u>(258,000)</u> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 819,140 | 560,049 |
| Tax on profit on ordinary activities | 8 | <u>(253,577)</u> | <u>(459,896)</u> |
| PROFIT FOR THE FINANCIAL YEAR | 18 | <u>565,563</u> | <u>100,153</u> |

All amounts relate to continuing operations.

The notes on pages 12 to 27 form part of these financial statements.

There was no difference between both the profit on ordinary activities before taxation and the profit for the financial year and prior year stated above and their historical cost equivalents.

THERMASYS CS UK HOLDING LIMITED

**GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2014**

| | | 2014 | 2013 |
|--|------|-------------------------|-----------------------|
| | Note | £ | £ |
| PROFIT FOR THE FINANCIAL YEAR | 18 | 565,563 | 100,153 |
| Actuarial (loss)/gain related to pension scheme | 22 | (1,767,000) | 656,000 |
| Current tax relating to the actuarial (loss)/gain on the pension scheme | | 96,000 | |
| Movement on deferred tax attributable to actuarial (loss)/gain on the pension scheme | | 257,400 | (218,942) |
| TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR | | <u>(848,037)</u> | <u>537,211</u> |

The notes on pages 12 to 27 form part of these financial statements.

THERMASYS CS UK HOLDING LIMITED
REGISTERED NUMBER: 07464159

GROUP BALANCE SHEET
AS AT 31 DECEMBER 2014

| | Note | 2014 £ | 2013 £ |
|---|------|--------------------------------|--------------------------------|
| FIXED ASSETS | | | |
| Intangible assets | 9 | 4,177,935 | 4,874,257 |
| Tangible assets | 10 | <u>2,321,024</u> | <u>2,612,588</u> |
| | | 6,498,959 | 7,486,845 |
| CURRENT ASSETS | | | |
| Stocks | 13 | 3,306,598 | 3,391,235 |
| Debtors | 14 | 10,216,268 | 8,322,168 |
| Cash at bank and in hand | | <u>299,071</u> | <u>116,853</u> |
| | | 13,821,937 | 11,830,256 |
| CREDITORS: amounts falling due within one year | 15 | <u>(12,841,163)</u> | <u>(12,014,269)</u> |
| NET CURRENT ASSETS/(LIABILITIES) | | <u>980,774</u> | <u>(184,013)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>7,479,733</u> | <u>7,302,832</u> |
| PROVISIONS FOR LIABILITIES | | | |
| Taxation, including deferred taxation | 16 | <u>(127,280)</u> | <u>(131,942)</u> |
| NET ASSETS EXCLUDING PENSION SCHEME LIABILITY | | <u>7,352,453</u> | <u>7,170,890</u> |
| Defined benefit pension scheme liability | 22 | <u>(6,070,400)</u> | <u>(5,040,800)</u> |
| NET ASSETS INCLUDING PENSION SCHEME LIABILITY | | <u><u>1,282,053</u></u> | <u><u>2,130,090</u></u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 17 | 2,210,829 | 2,210,829 |
| Profit and loss account | 18 | <u>(928,776)</u> | <u>(80,739)</u> |
| TOTAL SHAREHOLDERS' FUNDS | 19 | <u><u>1,282,053</u></u> | <u><u>2,130,090</u></u> |

The financial statements were approved and authorised for issue by the board of directors and were signed on its behalf on 9-29-15


J Cordosi
 Director

The notes on pages 12 to 27 form part of these financial statements.

THERMASYS CS UK HOLDING LIMITED
REGISTERED NUMBER: 07464159

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2014

| | Note | 2014 £ | 2013 £ |
|---|------|-------------------------|-----------------------|
| FIXED ASSETS | | | |
| Investments | 11 | 6,475,499 | 6,475,499 |
| CURRENT ASSETS | | | |
| Debtors | 14 | 441,021 | 367,386 |
| CREDITORS: amounts falling due within one year | 15 | <u>(7,219,401)</u> | <u>(6,607,850)</u> |
| NET CURRENT LIABILITIES | | (6,778,380) | (6,240,464) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>(302,881)</u> | <u>235,035</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 17 | 2,210,829 | 2,210,829 |
| Profit and loss account | 18 | <u>(2,513,710)</u> | <u>(1,975,794)</u> |
| TOTAL SHAREHOLDERS' (DEFICIT) / FUND | | <u>(302,881)</u> | <u>235,035</u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf

on 9-29-15


J Cordosi
 Director

The notes on pages 12 to 27 form part of these financial statements.

THERMASYS CS UK HOLDING LIMITED

**GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014**

| | | 2014 | | 2013 | |
|--|------|-----------|-----------|-----------|-----------|
| | Note | £ | £ | £ | £ |
| Net cash inflow from operating activities | 20 | - | 581,192 | - | 635,677 |
| Returns on investments and servicing of finance | | | | | |
| Interest paid | | (42,655) | - | (68,466) | - |
| Hire purchase interest paid | | (6,368) | - | (5,532) | - |
| Net cash outflow from returns on investments and servicing of finance | | - | (49,023) | - | (73,978) |
| Taxation | | | (80,345) | | (425,000) |
| Capital expenditure and financial investment | | | | | |
| Purchase of tangible fixed assets | | (269,606) | - | (176,783) | - |
| Net cash outflow from capital expenditure and financial investment | | - | (269,606) | - | (176,783) |
| Financing | | | | | |
| Issue of ordinary shares | | | | | |
| Repayment of finance leases | | - | - | (1,950) | - |
| Net cash (outflow) from financing | | - | - | - | (1,950) |
| Increase/(Decrease) in net cash | | | 182,218 | - | (42,034) |
| Reconciliation to net cash | | | | | |
| Net cash at 1 January | | - | 116,853 | - | 158,887 |
| Increase/(Decrease) in net cash | | - | 182,218 | - | (42,034) |
| Net cash as at 31 December | | - | 299,071 | - | 116,853 |

THERMASYS CS UK HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES

1.1 Accounting convention and compliance with accounting standards

The financial statements have been prepared on a going concern basis, under the historical cost convention, in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently are set out below.

The directors have considered the company's future working capital requirements and financing arrangements. The company continues to trade profitably and meets its day to day working capital requirements through the use of trade and group finance arrangements and the directors are not aware of any circumstances that may adversely affect the renewal of these facilities. Accordingly, the directors believe that it is appropriate to prepare the financial statements on the going concern basis.

Thermasys Group Holding Company Inc confirms that it will not seek repayment of the loan balance of £7,285,382 for the foreseeable future being a period of not less than 12 months from the date of the approval of the statutory financial statements.

1.2 Basis of consolidation

The consolidated Profit and Loss account and Balance Sheet include the financial statements of the company and its subsidiary undertakings made up to 31 December 2014. The results of subsidiaries sold or acquired are included in the Profit and Loss Account up to, or from, the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

1.3 Turnover

Turnover represents the total amounts receivable by the company in the ordinary course of business for goods supplied and services provided net of VAT and trade discounts. Turnover is recognised on despatch of goods to its customers and services are recognised when they are rendered.

1.4 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Profit and Loss Account over its estimated economic life of 10 years.

Goodwill is stated after provision for impairment.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets, other than freehold land, are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life as follows:

| | |
|-----------------------|--------------------------|
| Leasehold improvement | 20% straight line |
| Plant & machinery | 10% to 25% straight line |
| Fixtures & fittings | 10% to 33% straight line |
| Jigs and tools | 10% to 25% straight line |

THERMASYS CS UK HOLDING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

1. ACCOUNTING POLICIES (CONTINUED)

1.6 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.7 Leasing and hire purchase

Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and Loss Account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.8 Stocks and work in progress

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

Work in progress and finished goods are valued on the basis of direct cost plus attributable overheads based on normal levels of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

1.9 Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or the right to pay less tax, at a future date, at tax rates expected to apply when the timing differences reverse based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in years different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

1.10 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and Loss Account.

THERMASYS CS UK HOLDING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

1. ACCOUNTING POLICIES (CONTINUED)

1.11 Pensions

Defined contribution

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable by the company during the year have been accounted for in the Profit and Loss Account.

Defined benefit

The pension costs charged against profits are based on actuarial methods and assumptions designed to spread the anticipated costs over the service lives of the employees in the scheme, so as to ensure that the regular costs of providing benefits represents a substantially level percentage of the current and future pensionable payroll. Variations from regular costs are spread over the average remaining service lives of current employees in the scheme.

Benefits no longer accrue and the final salary link for active members in respect of benefits accrued has been broken. The scheme is now closed to new entrants.

1.12 Tooling

The company manufactures tooling which is used in production. The cost of such tooling is capitalised by the company as a fixed asset and depreciated in equal instalments over a period of three years. The costs capitalised consist of the direct labour and overheads involved in the production of the tools and a relevant proportion of indirect production overheads.

1.13 Warranties

The company provides warranties on large contracts. Costs to rectify claims made under these warranties are accrued in the financial statements.

THERMASYS CS UK HOLDING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

2. TURNOVER

An analysis of turnover by class of business is as follows:

| | 2014 | 2013 |
|-----------------------|--------------------------|-------------------|
| | £ | £ |
| Power generation | 21,165,000 | 21,047,000 |
| Railway traction | 155,000 | 781,000 |
| Marine and industrial | 8,245,197 | 8,181,861 |
| Scrap sales | 139,355 | 174,316 |
| Other | 1,382,918 | 2,401,549 |
| | <u>31,087,470</u> | <u>32,585,726</u> |

A geographical analysis of turnover is as follows:

| | 2014 | 2013 |
|------------------------|--------------------------|-------------------|
| | £ | £ |
| United Kingdom | 22,628,787 | 22,757,694 |
| Rest of European Union | 3,581,667 | 3,599,766 |
| Rest of world | 4,877,016 | 6,228,266 |
| | <u>31,087,470</u> | <u>32,585,726</u> |

3. OPERATING PROFIT

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

| | 2014 | 2013 |
|--|------------------------|-----------------|
| | £ | £ |
| Amortisation - intangible fixed assets (see note 9) | 696,322 | 696,322 |
| Depreciation of tangible fixed assets: (see note 10) | | |
| - owned by the group | 453,233 | 500,774 |
| - held under finance leases | 107,938 | 118,979 |
| Operating lease rentals: | | |
| - plant and machinery | 89,120 | 89,774 |
| - other operating leases | 258,038 | 253,373 |
| Difference on foreign exchange | <u>(11,201)</u> | <u>(36,628)</u> |

THERMASYS CS UK HOLDING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

3. OPERATING PROFIT (CONTINUED)

Services provided by the company's auditors

During the year the group obtained the following services from the company's auditors:

| | 2014 | 2013 |
|--|---------------|--------|
| | £ | £ |
| Fees payable to company's auditors for the audit of parent company and consolidated financial statements | 12,000 | 12,000 |
| Fees payable to the company's auditors for other services: | | |
| The audit of company's subsidiaries | 32,000 | 31,000 |
| Tax compliance services | 14,930 | 14,600 |
| | 58,930 | 57,600 |

4. STAFF COSTS

Staff costs, including director's remuneration, were as follows:

| | 2014 | 2013 |
|-------------------------------|------------------|-----------|
| | £ | £ |
| Wages and salaries | 4,580,649 | 5,147,694 |
| Social security costs | 463,477 | 591,788 |
| Other pension costs (Note 22) | 196,241 | 242,615 |
| | 5,240,367 | 5,982,097 |

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

| | 2014 | 2013 |
|----------------------|------------|------|
| | No. | No. |
| Production staff | 133 | 154 |
| Administrative staff | 28 | 34 |
| | 161 | 188 |

THERMASYS CS UK HOLDING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

5. DIRECTOR'S REMUNERATION

| | 2014 | 2013 |
|---|-------------|----------------|
| | £ | £ |
| Aggregate Emoluments | <u>-</u> | <u>217,138</u> |
| Compensation for loss of office | <u>-</u> | <u>308,920</u> |
| Company pension contributions to defined contribution pension schemes | <u>-</u> | <u>63,840</u> |

During the year retirement benefits were accruing to nil (2013: one) director in respect of defined contribution pension schemes.

The highest paid director received remuneration of £nil (2013: £217,138).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £nil (2013: £63,840).

6. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2014 | 2013 |
|---|-----------------------|----------------|
| | £ | £ |
| On bank loans and overdrafts | 33,894 | 50,655 |
| On other loans | 685,185 | 621,572 |
| On finance leases and hire purchase contracts | 6,368 | 5,532 |
| Other interest payable | 8,761 | 17,791 |
| | <u>734,208</u> | <u>695,550</u> |

7. OTHER FINANCE COSTS

| | 2014 | 2013 |
|--|-------------------------|------------------|
| | £ | £ |
| Expected return on pension scheme assets (see note 22) | 545,000 | 407,000 |
| Interest on pension scheme liabilities (see note 22) | (713,000) | (665,000) |
| | <u>(168,000)</u> | <u>(258,000)</u> |

THERMASYS CS UK HOLDING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 2014 £ | 2013 £ |
|--|-----------|-----------|
| Analysis of tax charge in the year | | |
| Current tax | | |
| UK corporation tax charge on profit for the year | 258,239 | 292,844 |
| Deferred tax | | |
| Origination and reversal of timing differences | (35,008) | 66,801 |
| Effect of tax rate change on opening balance | 9,654 | 100,468 |
| Adjustments in respect of prior period | 20,692 | (217) |
| Total deferred tax | (4,662) | 167,052 |
| Tax on profit on ordinary activities | 253,577 | 459,896 |

The deferred tax charge includes £nil (2013: £210,668) relating to the company's defined pension scheme.

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2013: higher than) the standard rate of corporation tax in the UK of 21.50% (2013: 23.25%). The differences are explained below:

| | 2014 £ | 2013 £ |
|---|-----------|-----------|
| Profit on ordinary activities before taxation | 819,140 | 560,049 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.50% (2013: 23.25%) | 176,057 | 130,192 |
| Effects of: | | |
| Non-tax deductible amortisation of goodwill and impairment | 158,581 | 102,951 |
| Expenses not deductible for tax purposes | 12,454 | 48,965 |
| Depreciation in excess of capital allowances | 20,248 | 10,545 |
| Other short term timing differences | (109,101) | 191 |
| Current tax charge for the year (see note above) | 258,239 | 292,844 |

THERMASYS CS UK HOLDING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

8. TAXON PROFITON ORDINARY ACTIVITIES (CONTINUED)

Factors that may affect future tax charges

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. As the changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements. The overall effect of these changes, if they had applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax liability by £12,728. There would be no change to the profit and loss impact in the year.

9. INTANGIBLE FIXED ASSETS

| Group | Goodwill £ |
|--|-----------------------|
| Cost | |
| At 1 January 2014 and 31 December 2014 | 6,963,223 |
| Accumulated Amortisation | |
| At 1 January 2014 | 2,088,966 |
| Charge for the year | 696,322 |
| At 31 December 2014 | <u>2,785,288</u> |
| Net book value | |
| At 31 December 2014 | 4,177,935 |
| At 31 December 2013 | <u>4,874,257</u> |

10. TANGIBLE ASSETS

| | Leasehold Improvement | Plant & machinery | Fixtures & fittings | Jigs & tools | Total |
|----------------------------|----------------------------------|----------------------------------|------------------------------------|-----------------------------|------------------|
| Group | £ | £ | £ | £ | £ |
| Cost | | | | | |
| At 1 January 2014 | 27,915 | 4,133,999 | 279,742 | 73,292 | 4,514,948 |
| Additions | - | 213,363 | 36,492 | 19,751 | 269,606 |
| At 31 December 2014 | <u>27,915</u> | <u>4,347,362</u> | <u>316,234</u> | <u>93,043</u> | <u>4,784,554</u> |

THERMASYS CS UK HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

10. TANGIBLE ASSETS (CONTINUED)

Accumulated depreciation

| | | | | | |
|----------------------------|---------------|------------------|----------------|---------------|------------------|
| At 1 January 2014 | 21,560 | 1,648,552 | 189,795 | 42,452 | 1,902,359 |
| Charge for the year | 3,466 | 507,813 | 35,125 | 14,767 | 561,171 |
| At 31 December 2014 | 25,026 | 2,156,365 | 224,920 | 57,219 | 2,463,530 |

Net book value

| | | | | | |
|----------------------------|--------------|------------------|---------------|---------------|------------------|
| At 31 December 2014 | 2,889 | 2,190,997 | 91,314 | 35,824 | 2,321,024 |
| At 31 December 2013 | 6,355 | 2,485,446 | 89,947 | 30,840 | 2,612,588 |

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

| | 2014 | 2013 |
|---|----------------|----------------|
| Group | £ | £ |
| Plant and machinery, furniture, fixtures and fittings | <u>172,179</u> | <u>280,117</u> |

11. INVESTMENTS

| | Investments in subsidiary companies |
|--|---|
| Company | £ |
| Cost or valuation | |
| At 1 January 2014 and 31 December 2014 | <u>6,475,499</u> |
| Net book value | |
| At 31 December 2013 and 31 December 2014 | <u>6,475,499</u> |

Details of subsidiaries can be found under note number 12.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

12. PRINCIPAL SUBSIDIARIES

| Company name | Country of Incorporation | Percentage Shareholding | Principal activity |
|-------------------------------|-----------------------------|----------------------------|-----------------------------------|
| Covrad Holdings Limited | UK | 100% | Holding company |
| Covrad Heat Transfer Limited* | UK | 100% | Manufacturer of cooling equipment |
| Hallco 1516 Limited | UK | 100% | Manufacturer of cooling equipment |

* Indirectly owned through Covrad Holdings Limited

THERMASYS CS UK HOLDING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

13. STOCKS

| | Group | Group |
|-------------------------------------|------------------|------------------|
| | 2014 | 2013 |
| | £ | £ |
| Raw materials and consumables | 1,666,794 | 2,260,020 |
| Work in progress | 1,580,878 | 988,768 |
| Finished goods and goods for resale | 58,926 | 142,447 |
| | <u>3,306,598</u> | <u>3,391,235</u> |

Thermasys CS UK does not hold any stocks of its own

14. DEBTORS

| | Group | Company | Group | Company |
|------------------------------------|-------------------|----------------|------------------|----------------|
| | 2014 | 2014 | 2013 | 2013 |
| | £ | £ | £ | £ |
| Trade debtors | 5,794,897 | - | 6,175,921 | - |
| Amounts owed by group undertakings | 1,115,124 | 441,021 | 201,872 | 367,386 |
| Other debtors | 3,029,665 | - | 1,662,547 | - |
| Corporation tax | 163,441 | - | 129,781 | - |
| Prepayments and accrued income | 113,141 | - | 152,047 | - |
| | <u>10,216,268</u> | <u>441,021</u> | <u>8,322,168</u> | <u>367,386</u> |

Amounts owed by group undertakings include trading balances that are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

15. CREDITORS: Amounts falling due within one year

| | Group | Company | Group | Company |
|------------------------------------|-------------------|------------------|-------------------|------------------|
| | 2014 | 2014 | 2013 | 2013 |
| | £ | £ | £ | £ |
| Trade creditors | 3,087,751 | - | 3,208,514 | - |
| Amounts owed to group undertakings | 8,224,454 | 7,219,401 | 7,349,384 | 6,607,850 |
| Corporation tax | 115,556 | - | - | - |
| Other taxation and social security | 746,458 | - | 204,248 | - |
| Other creditors | 212,487 | - | 534,840 | - |
| Accruals and deferred income | 454,457 | - | 717,283 | - |
| | <u>12,841,163</u> | <u>7,219,401</u> | <u>12,014,269</u> | <u>6,607,850</u> |

THERMASYS CS UK HOLDING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

15. CREDITORS Amounts falling due within one year (CONTINUED)

Amounts owed to group undertakings include trading balances that are unsecured, have no fixed date of repayment and are repayable on demand. The loan attracts an interest rate of 10%. Thermasys Group Holding Company Inc confirms that it will not seek repayment of the loan balance of £7,219,401 for the foreseeable future being a period of not less than 12 months from the date of the approval of the statutory financial statements.

16. TAXATION INCLUDING DEFERRED TAXATION

| | Group 2014 £ | Company 2014 £ | Group 2013 £ | Company 2013 £ |
|---------------------|--------------------|----------------------|--------------------|----------------------|
| As at 1 January | 131,942 | - | 175,557 | - |
| Credit for the year | (4,662) | - | (43,615) | - |
| At 31 December | <u>127,280</u> | <u>-</u> | <u>131,942</u> | <u>-</u> |

The provision for deferred taxation is made up as follows:

| | Group 2014 £ | Company 2014 £ | Group 2013 £ | Company 2013 £ |
|-------------------------------------|--------------------|----------------------|--------------------|----------------------|
| Accelerated capital allowances | 164,687 | - | 155,033 | - |
| Other short term timing differences | (37,407) | - | (23,091) | - |
| | <u>127,280</u> | <u>-</u> | <u>131,942</u> | <u>-</u> |

17. CALLED UP SHARE CAPITAL

At incorporation on 8 December 2011, 2,210,829 ordinary shares of £1 each were issued at par.

| | 2014 £ | 2013 £ |
|--|------------------|------------------|
| Allotted, called up and fully paid | | |
| 2,210,829 (2013: 2,210,829) ordinary shares of £1 each | <u>2,210,829</u> | <u>2,210,829</u> |

THERMASYS CS UK HOLDING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

18. RESERVES

| | Profit and loss account £ |
|-------------------------------|--|
| Group | |
| At 1 January 2014 | (80,739) |
| Profit for the financial year | 565,563 |
| Pension reserve movement | (1,413,600) |
| At 31 December 2014 | <u>(928,776)</u> |
| | |
| | Profit and loss account £ |
| Company | |
| At 1 January 2014 | (1,975,794) |
| Loss for the financial year | (537,916) |
| At 31 December 2014 | <u>(2,513,710)</u> |

The closing balance on the Group Profit and Loss Account includes a £1,509,600 debit (2013: £437,058 credit), stated after deferred taxation of (£257,400) (2013: £218,942), in respect of pension scheme liabilities of the Group and Company pension scheme.

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' (DEFICIT)/FUNDS

| | 2014 £ | 2013 £ |
|---|-------------------------|-------------------------|
| Group | | |
| Opening shareholders' funds | 2,130,090 | 1,592,880 |
| Profit for the financial year | 565,563 | 100,153 |
| Other recognised gains and losses during the year | (1,413,600) | 437,058 |
| Closing shareholders' funds | <u>1,282,053</u> | <u>2,130,090</u> |
| | | |
| | 2014 £ | 2013 £ |
| Company | | |
| Opening shareholders' funds | 235,035 | 712,069 |
| Loss for the financial year | (537,916) | (477,034) |
| Closing shareholders' (deficit)/funds | <u>(302,881)</u> | <u>235,035</u> |

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Profit and Loss Account.

THERMASYS CS UK HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

The loss for the year dealt with in the financial statements of the company was £537,916 (2013: £477,034).

20. NET CASH INFLOW FROM OPERATING ACTIVITIES

| | 2014 £ | 2013 £ |
|--|----------------|----------------|
| Operating profit | 1,721,348 | 1,513,599 |
| Amortisation of intangible fixed assets | 696,322 | 696,322 |
| Depreciation of tangible fixed assets | 561,171 | 619,753 |
| Decrease in stocks | 84,637 | 328,883 |
| Increase in debtors | (1,860,440) | (1,210,090) |
| Increase in creditors | 26,154 | (664,790) |
| Pension contributions in excess of amounts charged to operating profit | (648,000) | (648,000) |
| Net cash inflow from operating activities | 581,192 | 635,677 |

21. ANALYSIS OF CHANGES IN NET FUNDS

| | 1 January 2014 £ | Cash flow £ | Other non-cash changes £ | 31 December 2014 £ |
|--|------------------------|----------------|-----------------------------------|-----------------------------|
| Cash at bank and in hand | 116,853 | 182,218 | - | 299,071 |
| Debt: | | | | |
| Debts due within one year | - | - | 677,532 | 677,532 |
| Debts falling due after more than one year | - | - | - | - |
| Net funds | 116,853 | 182,218 | 677,532 | 976,603 |

22. PENSION COMMITMENTS

Defined contribution

The group operates a defined contribution scheme for the benefit of its UK employees. The assets of the scheme are administered by trustees in funds independent from those of the company.

Contributions payable by the group for the year totalled £196,241 (2013: £242,615). Contributions totalling £19,987 (2013: £13,757) were payable into the scheme at 31 December 2014 and are included within other creditors.

Defined benefit

The group operates a Defined Benefit Pension Scheme.

The assets of the scheme are administered by trustees in funds independent from those of the company and invested directly on the advice of the independent professional investment managers.

THERMASYS CS UK HOLDING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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22. PENSION COMMITMENTS (CONTINUED)

Benefits do not accrue and the final salary link for active members in respect of benefits has been broken. The scheme is now closed to new entrants.

The treatment of pension costs in these financial statements is in accordance with the provisions of Financial Reporting Standard 17 "Retirement Benefits".

The last full actuarial valuation was carried out at 6 April 2013 and updated to 31 December 2014 by an independent qualified actuary.

During the year, the group made contributions of £648,000 (2013: £648,000) towards the accumulated deficit in the scheme.

The group expects to contribute £648,000 (2014: £648,000) to its Defined Benefit Pension Scheme in 2015.

(a) Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

| | 2014 | 2013 |
|--------------------------------------|--------------|-------|
| Rate of increase in pensions payment | 1.90% | 3.18% |
| Discount rate | 3.60% | 4.60% |
| Inflation assumption | 2.80% | 3.18% |
| Expected return on equities | 8.15% | 7.45% |
| Expected return on bonds | 4.50% | 4.20% |
| Expected return on other assets | 6.35% | 6.05% |

(b) The amounts recognised in the Balance Sheet are as follows:

| | 2014 | 2013 |
|-------------------------------------|---------------------|--------------|
| | £ | £ |
| Fair value of scheme assets | 10,068,000 | 9,440,000 |
| Present value of scheme liabilities | (17,656,000) | (15,741,000) |
| Deficit in the scheme | (7,588,000) | (6,301,000) |
| Related deferred tax asset | 1,517,600 | 1,260,200 |
| Net liability | (6,070,400) | (5,040,800) |

(c) Reconciliation of present value of the defined benefit obligation are as follows:

| | 2014 | 2013 |
|------------------------------------|-------------------|------------|
| | £ | £ |
| Liabilities as at start of year | 15,741,000 | 15,655,000 |
| Interest cost | 713,000 | 665,000 |
| Benefits paid | (481,000) | (358,000) |
| Actuarial (losses)/gains | 1,683,000 | (221,000) |
| Closing defined benefit obligation | 17,656,000 | 15,741,000 |

THERMASYS CS UK HOLDING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

22. PENSION COMMITMENTS (CONTINUED)

(d) Changes in the fair value of scheme assets are as follows:

| | 2014 | 2013 |
|------------------------------------|--------------------------|-------------------------|
| | £ | £ |
| Assets as at the start of the year | 9,440,000 | 8,308,000 |
| Expected return | 545,000 | 407,000 |
| Actuarial (losses)/gains | (84,000) | 435,000 |
| Contributions by employer | 648,000 | 648,000 |
| Benefits paid | (481,000) | (358,000) |
| | <u>10,068,000</u> | <u>9,440,000</u> |

The major categories of scheme assets as a percentage of total scheme assets are as follows:

| | 2014 | 2013 |
|----------|---------------|-------------|
| Equities | 64.89% | 68.69% |
| Bonds | 21.55% | 18.40% |
| Other | 13.56% | 12.91% |

(e) The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses was £1,767,000 (2013: £656,000).

(f) The amounts recognised in profit or loss are as follows:

| | 2014 | 2013 |
|----------------------------------|-------------------------|-------------------------|
| | £ | £ |
| Interest on obligation | (713,000) | (665,000) |
| Expected return on scheme assets | 545,000 | 407,000 |
| Total | <u>(168,000)</u> | <u>(258,000)</u> |

(g) Historical information

Amounts for the current and previous four years are as follows:

Defined benefit pension schemes

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | £ | £ | £ | £ | £ |
| Defined benefit obligation | (17,656,000) | (15,741,000) | (15,655,000) | (13,772,000) | (12,880,000) |
| Scheme assets | <u>10,068,000</u> | <u>9,440,000</u> | <u>8,308,000</u> | <u>7,569,000</u> | <u>7,995,000</u> |
| Deficit | <u>(7,588,000)</u> | <u>(6,301,000)</u> | <u>(7,347,000)</u> | <u>(6,203,000)</u> | <u>(4,885,000)</u> |

THERMASYS CS UK HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

22. PENSION COMMITMENTS (CONTINUED)

| | 2014 £ | 2013 £ | 2012 £ | 2011 £ | 2010 £ |
|--|---------------|----------------|-----------------|--------------------|----------------|
| Experience adjustments on scheme liabilities | 639,000 | - | (196,000) | 126,000 | - |
| Experience adjustments on scheme assets | <u>84,000</u> | <u>435,000</u> | <u>(31,000)</u> | <u>(1,117,000)</u> | <u>111,000</u> |

23. OPERATING LEASE COMMITMENTS

At 31 December 2014 the Group had annual commitments under non-cancellable operating leases as follows:

| | Land and buildings 2014 £ | Other 2014 £ | Land and buildings 2013 £ | Other 2013 £ |
|---------------------|------------------------------------|--------------------|------------------------------------|--------------------|
| Group | | | | |
| Expiry date: | | | | |
| Within 1 year | - | 9,628 | - | 38,135 |
| Within 2 to 5 years | 247,473 | 55,724 | 200,000 | 117,393 |
| After 5 years | - | - | - | - |
| | <u>247,473</u> | <u>65,352</u> | <u>200,000</u> | <u>155,528</u> |

24. RELATED PARTY TRANSACTIONS

During the year, the company made purchases of £617 (2013: £3,323) and sales of £158,750 (2013: £297,992) with General Thermodynamics, a fellow group company incorporated in the U.S.A. At 31 December 2014, the balance due from General Thermodynamics was £11,303 (2013: £21,793)

During the year, the company made purchases of £107,849 (2013: £1,876,603) from Thermasys Corporation, a fellow group company incorporated in the U.S.A. At 31 December 2014, the balance due to Thermasys Corporation was £59,761 (2013: £293,115).

During the year, the company received a loan of £nil (2013: £nil) and was charged interest of £685,185 (2013: £621,571) by Thermasys Group Holding Company Inc. At 31 December 2014, the balance due to Thermasys Group Holding Company Inc. was £7,285,382 (2013: £6,600,197)

25. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate controlling party is Wellspring Capital Management LLC, a company incorporated in the USA. It purchased Thermasys CS UK Holding Limited on 31 January 2012.

The immediate parent undertaking is Thermasys Group Holding Company Inc., a company incorporated in the USA which is the smallest group to consolidate these financial statements