

Registered number: 06332089

HALLCO 1516 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016



HALLCO 1516 LIMITED

CONTENTS

	Page (s)
Company Information	1
Strategic Report	2
Director's Report	3 - 4
Independent Auditors' Report to the Members of Hallco 1516 Limited	5 - 6
Statement of Comprehensive Income	7
Balance Sheet	8
Statement of Changes in Equity	9
Notes to the Financial Statements	10 - 23

HALLCO 1516 LIMITED

COMPANY INFORMATION

Director	J M Laisure
Company secretary	M W Bremmer
Registered number	06332089
Registered office	Sir Henry Parkes Road Canley BBA Coventry Warwickshire CV5 6BN
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Cornwall Court 19 Cornwall Street Birmingham B3 2DT
Bankers	The Royal Bank of Scotland plc 38 Mosley Street Manchester M60 2BE
Solicitors	Morgan, Lewis & Bockius Condor House 5-10 St. Paul's Churchyard London EC4M 8AL

HALLCO 1516 LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The director presents the Strategic Report of Hallco 1516 Limited (the "Company") for the year ended 31 December 2016.

BUSINESS REVIEW

The company saw continued steady business volumes despite challenging market conditions and the move to its new home in Coventry. With this continued integration with the far wider API organisation we are confident we are building a strong base for the future.

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 company 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 company closely monitors demand trends and have demonstrated the ability to adjust the cost base as appropriate.

KEY PERFORMANCE INDICATORS

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

	2016	2015	
Growth in sales % (all operations)	0.2 %	(0.3)%	Year on year sales growth expressed as a percentage.
Gross profit %	14.7 %	18.2 %	Sales less cost of sales, before administration expenses, expressed as a percentage of sales.

The company experienced a flat year in terms of volume compared to 2015 in the industrial sector. Margins fell predominantly because of product mix and also with relocation of the factory into Coventry which the company believe will provide ongoing restructuring & synergies will improve in the long term.

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 12 October 2017 and signed on its behalf by:


J M Laisure
Director

HALLCO 1516 LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The director presents his annual report and the audited financial statements of Hallco 1516 Limited (the "Company") for the year ended 31 December 2016.

Principal activity

The principal activity of the Company is the design and manufacture of cooling equipment for the marine and industrial markets.

Results and dividends

The profit for the financial year amounted to £491,112 (2015: £803,805).

The director does not recommend the payment of a dividend (2015: £nil).

Director

The director who served during the year and up to the date of signing the financial statements was:

J M Laisure

Director's interest

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

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.

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 director is aware that the world economic situation has a direct influence on the business and, whilst he needs to be aware of the possibilities of future uncertainties and uneven demand, he remains confident in the medium to long term prospects of the company.

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. The Company does trade in multiple currencies but in terms of currency risk the Company did not enter any hedging transactions and no trading in financial instruments were undertaken.

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.

**DIRECTOR'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

Director's responsibilities statement

The director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the director 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 director is required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 enable him to ensure that the financial statements comply with the Companies Act 2006.

The director is 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.

Disclosure of information to auditors

In the case of each director in office at the date the Director's Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- he has taken all the steps that ought to have been 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.

Independent auditors

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

This report was approved by the board on 12 October 2017 and signed on its behalf by:



J M Laisure
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HALLCO 1516 LIMITED

Report on the financial statements

Our opinion

In our opinion, Hallco 1516 Limited's financial statements (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.
-

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 December 2016;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity 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 United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (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.

Opinions on other matters prescribed by the Companies Act 2006

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

- 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; and
- the Strategic Report and the Director's Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Director's Report. We have nothing to report in this respect.

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, 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.

We have no exceptions to report arising from this responsibility.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HALLCO 1516 LIMITED

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 have not been made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the director

As explained more fully in the Director's Responsibilities Statement set out on page 4, the director 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 & 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 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 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. With respect to the Strategic Report and Director's Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Matt Palmer (Senior statutory auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

Date: 12 October 2017

HALLCO 1516 LIMITED

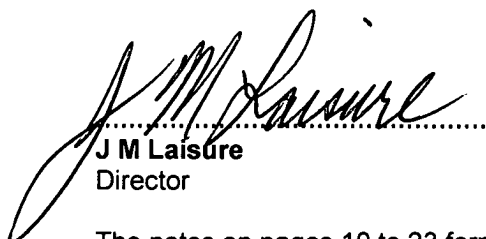
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £	2015 £
Turnover	3	9,023,083	9,002,759
Cost of sales		(7,696,513)	(7,364,798)
Gross profit		1,326,570	1,637,961
Distribution costs		(380,479)	(233,713)
Administrative expenses		(426,567)	(564,969)
Other operating income	4	82,085	148,644
Operating profit	5	601,609	987,923
Interest receivable and similar income	8	-	19,206
Profit before taxation		601,609	1,007,129
Tax on profit	9	(110,497)	(203,324)
Profit for the financial year		491,112	803,805
Total comprehensive income for the financial year		491,112	803,805

**BALANCE SHEET
AS AT 31 DECEMBER 2016**

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	10	183,426	234,890
Current assets			
Stocks	11	1,875,414	1,431,144
Debtors	12	4,648,079	4,099,945
Cash at bank and in hand	13	242,740	156,914
		<u>6,766,233</u>	<u>5,688,003</u>
Creditors: amounts falling due within one year	14	<u>(2,087,654)</u>	<u>(1,542,142)</u>
Net current assets		<u>4,678,579</u>	<u>4,145,861</u>
Total assets less current liabilities		<u>4,862,005</u>	<u>4,380,751</u>
Provisions for liabilities			
Deferred tax	15	<u>(16,006)</u>	<u>(25,864)</u>
Net assets		<u><u>4,845,999</u></u>	<u><u>4,354,887</u></u>
Capital and reserves			
Called up share capital	16	10,000	10,000
Revaluation reserve	17	119,767	100,035
Profit and loss account	17	<u>4,716,232</u>	<u>4,244,852</u>
Total shareholders' funds		<u><u>4,845,999</u></u>	<u><u>4,354,887</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12 October 2017 by:


J M Laisure
Director

The notes on pages 10 to 23 form part of these financial statements.

HALLCO 1516 LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital £	Revaluation reserve £	Profit and loss account £	Total shareholders' funds £
At 1 January 2015	10,000	159,231	3,381,851	3,551,082
Comprehensive income for the financial year				
Profit for the financial year	-	-	803,805	803,805
Total comprehensive income for the financial year	-	-	803,805	803,805
Contributions by and distributions to owners				
Transfer to/from profit and loss account	-	(59,196)	59,196	-
Total transactions with owners	-	(59,196)	59,196	-
At 1 January 2016	10,000	100,035	4,244,852	4,354,887
Comprehensive income for the financial year				
Profit for the financial year	-	-	491,112	491,112
Total comprehensive income for the financial year	-	-	491,112	491,112
Transfer to/from profit and loss account	-	19,732	(19,732)	-
At 31 December 2016	10,000	119,767	4,716,232	4,845,999

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. Accounting policies

1.1 General information

Hallco 1516 Limited's (the "company") principal activities are the design and manufacture of cooling equipment for marine and industrial.

The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is: Sir Henry Parkes Road, Canley, Coventry, Warwickshire, CV5 6BN.

1.2 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention as modified by the revaluation of plant & machinery and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

The following principal accounting policies have been applied consistently throughout the year:

1.3 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Thermasys CS UK Holding Limited as at 31 December 2016 and these financial statements may be obtained from Thermasys CS UK Holding Limited, Sir Henry Parkes Road, Canley, Coventry, West Midlands, CV5 6BN.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. Accounting policies (continued)

1.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.5 Tangible assets

Tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	- 20% straight line
Plant and machinery	- 10% to 25% straight line
Fixtures, fittings & equipment	- 20% straight line
Jigs & tools	- 10% to 25% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. Accounting policies (continued)

1.6 Revaluation of tangible assets

Individual freehold and leasehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Balance sheet date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in the Statement of comprehensive income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

1.7 Leases

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

1.8 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

1.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. Accounting policies (continued)

1.11 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an 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.

1.12 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.13 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. Accounting policies (continued)

1.14 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

1.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

1.16 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.

All differences are taken to the Statement of comprehensive income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. Accounting policies (continued)

1.17 Warranties

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

2. Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Judgements in applying accounting policies

(i) Exemptions on transition to FRS 102

The company has elected to use the previous UK GAAP valuation of certain items of land and buildings as the deemed cost on transition to FRS 102. The items are being depreciated from the date of transition 1 January 2015 in accordance with the company's accounting policies.

(b) Key sources of estimation uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 10 for the carrying amount of the property plant and equipment, and note 1(1.5) for the useful economic lives for each class of assets.

(ii) Inventory provisioning

The company designs and manufactures cooling equipment for power generation, off-highway vehicles and rail traction engine markets. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 11 for the net carrying amount of the inventory and associated provision.

(iii) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 12 for the net carrying amount of the debtors and associated impairment provision.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**
3. Turnover

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

	2016 £	2015 £
Marine and industrial	<u>9,023,083</u>	<u>9,002,759</u>

Analysis of turnover by country of destination:

	2016 £	2015 £
United Kingdom	3,579,865	4,124,069
Rest of European Union	1,837,980	2,002,798
Rest of the world	3,605,238	2,875,892
	<u>9,023,083</u>	<u>9,002,759</u>

4. Other operating income

	2016 £	2015 £
Gain on exchange rates	<u>82,085</u>	<u>148,644</u>

Other operating income consists of foreign exchange differences net of severance pay charged during the year.

5. Operating profit

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

	2016 £	2015 £
Depreciation of tangible fixed assets	53,618	64,792
Auditors' remuneration	17,975	19,094
Stock recognised as an expense	6,216,325	6,261,388
Operating lease rentals	10,111	23,736
Difference on foreign exchange	<u>(82,085)</u>	<u>(153,638)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

6. Employees

Staff costs were as follows:

	2016 £	2015 £
Wages and salaries	1,255,102	918,665
Social security costs	101,132	85,861
Other pension costs	35,360	28,551
	<u>1,391,594</u>	<u>1,033,077</u>

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

	2016 No.	2015 No.
Production staff	23	29
Administrative staff	9	7
	<u>32</u>	<u>36</u>

7. Director's remuneration

The emoluments of the Director are not paid to him in his capacity as Director of the Company and are payable to services wholly attributable to Thermasys CS UK Holdings. No recharge is made to the Company.

8. Interest receivable and similar income

	2016 £	2015 £
Bank interest receivable	<u>-</u>	<u>19,206</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**
9. Tax on profit

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	121,365	219,286
Adjustments in respect of prior periods	(1,010)	-
Total current tax	<u>120,355</u>	<u>219,286</u>
Deferred tax		
Origination and reversal of timing differences	(9,626)	(13,353)
Adjustments in respect of prior years	(253)	103
Effect of changes in tax rates	21	(2,712)
Total deferred tax	<u>(9,858)</u>	<u>(15,962)</u>
Tax on profit	<u><u>110,497</u></u>	<u><u>203,324</u></u>

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015:20.25%). The differences are explained below:

	2016 £	2015 £
Profit before taxation	<u>601,609</u>	<u>1,007,129</u>
Profit before taxation multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.25%)	120,322	203,909
Effects of:		
Expenses not deductible for tax purposes	-	2,024
Adjustments in respect of prior years	(1,263)	103
Tax rate changes	21	(2,712)
Transfer pricing adjustments	(8,583)	-
Total tax charge for the year	<u><u>110,497</u></u>	<u><u>203,324</u></u>

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

10. Tangible assets

	Leasehold improvements £	Plant and machinery £	Fixtures, fittings & equipment £	Jigs & tools £	Total £
Cost or valuation					
At 1 January 2016	46,197	457,924	47,165	120,366	671,652
Additions	-	2,154	-	-	2,154
At 31 December 2016	<u>46,197</u>	<u>460,078</u>	<u>47,165</u>	<u>120,366</u>	<u>673,806</u>
Accumulated depreciation					
At 1 January 2016	46,197	251,745	36,562	102,258	436,762
Charge for the year	(577)	37,027	5,195	11,973	53,618
At 31 December 2016	<u>45,620</u>	<u>288,772</u>	<u>41,757</u>	<u>114,231</u>	<u>490,380</u>
Net book value					
At 31 December 2016	<u>577</u>	<u>171,306</u>	<u>5,408</u>	<u>6,135</u>	<u>183,426</u>
At 31 December 2015	<u>-</u>	<u>206,179</u>	<u>10,603</u>	<u>18,108</u>	<u>234,890</u>

Cost or valuation at 31 December 2016 is as follows:

	Plant and machinery £
At cost	199,424
Valuation carried out 7 July 2010 by GVA Grimley, International Property Advisors	<u>260,654</u>
	<u>460,078</u>

If the plant and machinery had not been included at valuation they would have been included under the historical cost convention as follows:

	2016 £	2015 £
Cost	199,424	199,424
Accumulated depreciation	(159,629)	(137,461)
Net book value	<u>39,795</u>	<u>61,963</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**
11. Stocks

	2016 £	2015 £
Raw materials and consumables	1,678,315	1,022,460
Work in progress (goods to be sold)	197,099	408,684
	<u>1,875,414</u>	<u>1,431,144</u>

Stocks include a provision for impairment of £140,464 (2015: £200,000).

The difference between replacement value and historical cost of stocks is not significant.

12. Debtors

	2016 £	2015 £
Trade debtors	1,871,643	1,686,785
Amounts owed by group undertakings	1,577,858	927,819
Other debtors	1,179,378	1,473,338
Prepayments and accrued income	-	12,003
Corporation tax recoverable	19,200	-
	<u>4,648,079</u>	<u>4,099,945</u>

Trade debtors include a provision for impairment of £2,803 (2015: £1,415).

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

13. Cash at bank and in hand

	2016 £	2015 £
Cash at bank and in hand	<u>242,740</u>	<u>156,914</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

14. Creditors: Amounts falling due within one year

	2016	2015
	£	£
Trade creditors	1,245,525	940,503
Amounts owed to group undertakings	718,302	429,132
Corporation tax	-	48,723
Other taxation and social security	30,568	16,988
Other creditors	9,543	5,883
Accruals and deferred income	83,716	100,913
	<u>2,087,654</u>	<u>1,542,142</u>

Other creditors are secured by a fixed and floating charge over the assets of the company.

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

15. Deferred tax

	2016
	£
At 1 January 2016	25,864
Credited to the profit or loss	(9,858)
At 31 December 2016	<u>16,006</u>

The provision for deferred taxation is made up as follows:

	2016	2015
	£	£
Fixed asset timing difference	21,443	32,356
Short term timing differences	(5,437)	(6,492)
	<u>16,006</u>	<u>25,864</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

16. Called up share capital

	2016 £	2015 £
Allotted, called up and fully paid		
9,100 (2015: 9,100) A ordinary shares shares of £1 each	9,100	9,100
900 (2015: 900) B ordinary shares shares of £1 each	900	900
	<u>10,000</u>	<u>10,000</u>

The B ordinary shares carry no voting rights but carry similar rights to dividends and to assets, upon a winding up of the Company, as the A ordinary shares, in proportion to the amounts paid up on each respective share.

17. Reserves

Revaluation reserve

The Revaluation reserve represents any increases in the carrying amounts of tangible assets on revaluation.

Profit and loss account

Retained earnings represents all net gains and losses and transactions with owners (e.g. dividends) that are not recognised elsewhere.

18. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the company and amounted to £35,360 (2015: £28,551).

19. Commitments under operating leases

At 31 December 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £	2015 £
Not later than 1 year	6,827	6,826
Later than 1 year and not later than 5 years	3,997	10,824
Total	<u>10,824</u>	<u>17,650</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

20. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Thermasys CS UK Holding Limited, which is the smallest group to consolidate these financial statements. Copies of Thermasys CS UK Holding Limited consolidated financial statements can be obtained from the Company Secretary at Thermasys CS UK Holding Limited, Sir Henry Parkes Road, Ganley, Coventry, West Midlands, CV5 6BN.

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.