

Alpha Therm Limited

**Annual report and financial statements
for the year ended 31 December 2017**

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Alpha Therm Limited

Company information

Directors	Alfredo Amadei Massimo Maini Pietro Alberici Andrea Carmeli
Company number	00882439
Registered office	Nepicar House London Road Wrotham Heath Sevenoaks Kent TN15 7RS United Kingdom
Independent auditors	Ernst & Young 1 More London Place London SE1 2AF
Bankers	Barclays Bank plc PO Box 299 Birmingham B1 3PF

Alpha Therm Limited

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The directors present the strategic report for the year ended 31 December 2017.

Review of the business

The Company is part of the Italian-owned Immerfin Group, one of Europe's leading manufacturers of domestic and commercial boilers. As such, the Company benefits from some of the most advanced production facilities in the world, making the most of new and existing technologies to create genuinely innovative heating solutions for a wide range of applications.

The Company manufactures a range of boilers to meet the heating and hot water needs of practically every property type or household size, Alpha also offers energy-saving products that work alongside its boilers; allowing low carbon technologies like solar thermal and flue gas heat recovery to be incorporated easily and affordably.

Challenging market conditions have led to a decrease in revenue for the year to £21.5m (2016: £22.3m) whilst profit after tax has decreased to £19k (2016: £176k).

Shareholder funds increased by £19k (2016: £176) due to retained earnings.

The Company's quick ratio (current assets as a percentage of current liabilities) has increased due to a reduction in accruals. This largely relates to differing levels of support and promotion activity.

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

Principal risks and uncertainties

The UK domestic boiler market, which continues to be the core focus, remains to be a very competitive environment. With quality, price and warranty length being the key factors for customers the company very much aims to align its products and services with this in mind. 2017 saw the successful launch of a new range of boilers which has been well received by customers. During 2018 further new product will be launched to stay aligned with customer's expectations.

The boiler market continues to be influenced by the result and fallout from the UK referendum on EU membership. Sterling's general weakness and fluctuations against the Euro look set to continue throughout the duration of Brexit negotiations and thus remains a challenge to both the company and most importers of goods from Europe. The company's forward hedging policy remains in place and continues to be monitored rigorously.

The Company deem the risk attributed to product reliability to be low. Continued investment in Research and Development by the parent company and agile responses to any product quality problems are key to mitigating this risk.

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

Alpha Therm Limited

Strategic report (continued)

For the year ended 31 December 2017

Key performance indicators

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

Turnover: turnover has decreased in the year by £845k to £21,499k (2016: £22,343k).

Operating Profit: the operating profit for 2017 has decreased by £424k in the year to £119k (2016: £535k).

Profit after tax: profits after tax have decreased in the year to £19k (2016: £176k).

Monitoring of every profit centre across the business in terms of sales and volumes and associated margins is performed to ensure maximum efficiencies within operations, examples include, staffing, accessory products, spare parts, returns etc.

On behalf of the board



Andrea Carmeli

Director

6th April 2018

Alpha Therm Limited

Directors' report

For the year ended 31 December 2017

The directors present their annual report and financial statements for the year ended 31 December 2017.

Principal activities

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

Directors

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

Alfredo Amadei

Massimo Maini

Pietro Alberici

Andrea Carmeli

Joelle Timperley (resigned 23rd February 2018)

Results and dividends

The results for the year are set out on page 8.

Future developments

The company continues to strive towards introducing new innovative products to the UK heating market with a continued focus on environmentally friendly technologies. 2018 will see further new products being launched which is in line with the companies longer term strategy to expand the product portfolio.

A new strategy approach in regards to the aftersales market has been a strong success in its first year with expectations being exceeded. Moving forward, the company will remain focused in this area of the business and will enhance the business model to ensure ever higher levels of customer service throughout the UK.

The directors believe that the diversification and continuous development of new products and services will increase the profitability of the company and will widen our customer base. The product portfolio is under continuous expansion in conjunction with the research and development programs of our parent company, to ensure that Alpha is taking every business opportunity arising from market changes and new legislation.

Auditors

During the year, Ernst & Young LLP replaced Saffery Champness LLP as auditors to the company. The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors

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

On behalf of the board



Andrea Carmeli

Director

6th April 2018

Independent auditors' report

To the members of Alpha Therm Limited

We have audited the financial statements of Alpha Therm Limited for the year ended 31 December 2017 which comprise the Statement of comprehensive income, Statement of financial position, Statement of changes in equity, Statement of cash flows and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent auditors' report

To the members of Alpha Therm Limited

(Continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Independent auditors' report

To the members of Alpha Therm Limited

(Continued)

Responsibilities of directors


As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.


Mohan Pandian (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP (Statutory Auditor)
London
6th April 2018

Alpha Therm Limited**Statement of comprehensive income****For the year ended 31 December 2017**

		2017	2016
	Notes	£ '000	£ '000
Turnover	3	21,499	22,343
Cost of sales		(16,463)	(16,985)
Gross profit		5,036	5,358
Distribution costs		(632)	(621)
Administrative expenses		(4,530)	(4,444)
Other operating income		245	242
Operating profit	5	119	535
Other gains and losses	6	(68)	(280)
Profit before taxation		51	255
Taxation	8	(32)	(79)
Profit for the financial year	19	19	176

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

The notes on pages 11 to 28 form part of these financial statements.

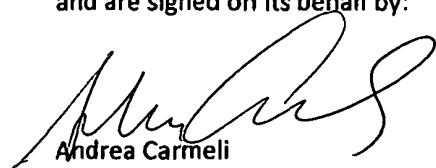
Alpha Therm Limited

Statement of financial position

For the year ended 31 December 2017

	Notes	£ '000	2017 £ '000	£ '000	2016 £ '000
Fixed assets					
Tangible assets	9		108		148
Current assets					
Stocks	12	1,326		1,581	
Debtors	15	6,269		5,277	
Cash at bank and in hand		1,467		2,545	
		<u>9,062</u>		<u>9,403</u>	
Creditors: amounts falling due within one year	14	<u>(5,766)</u>		<u>(6,336)</u>	
Net current assets			<u>3,296</u>		<u>3,067</u>
Total assets less current liabilities			<u>3,404</u>		<u>3,215</u>
Provisions for liabilities	17		<u>(2,719)</u>		<u>(2,549)</u>
Net assets			<u>685</u>		<u>666</u>
Capital and reserves					
Called up share capital	13				
Profit and loss reserves	19		685		666
Total equity			<u>685</u>		<u>666</u>

The financial statements were approved by the board of directors and authorised for issue on 6th April 2018 and are signed on its behalf by:



Andrea Carmeli

Director

Company Registration No. 00882439

Alpha Therm Limited

Statement of changes in equity

For the year ended 31 December 2017

	Notes	Profit and loss Reserves £'000
Balance at 1 January 2016		490
Year ended 31 December 2016:		
Profit and total comprehensive income for the year		176
Dividends	10	<u> </u>
Balance at 31 December 2016		666
Year ended 31 December 2017:		
Profit and total comprehensive income for the year		<u>19</u>
Balance at 31 December 2017		<u><u>685</u></u>

Alpha Therm Limited

Statement of cash flows

For the year ended 31 December 2017

	Notes	£ '000	2017 £ '000	£ '000	2016 £ '000
Cash flows from operating activities					
Cash generated from operations	23		(961)		2,096
Income taxes paid			(75)		(218)
			<u> </u>		<u> </u>
Net cash (outflow)/inflow from operating activities			(1,036)		1,878
Investing activities					
Purchase of tangible fixed assets		(42)		(38)	
		<u> </u>		<u> </u>	
Net cash used in investing activities			(42)		(38)
Financing activities					
Dividends paid		0		(875)	
		<u> </u>		<u> </u>	
Net cash used in financing activities			0		(875)
			<u> </u>		<u> </u>
Net (decrease)/increase in cash and cash equivalents			(1,078)		965
Cash and cash equivalents at beginning of year			2,545		1,580
			<u> </u>		<u> </u>
Cash and cash equivalents at end of year			1,467		2,545
			<u> </u>		<u> </u>

1 Accounting policies

Company information

Alpha Therm Limited is a private company limited by shares incorporated in England and Wales. The registered office is Nepicar House, London Road, Wrotham Heath, Sevenoaks, Kent, TN15 7RS. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

1.1 Accounting convention

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

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

- The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value.

1.2 Going concern

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

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

1.3 Turnover

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

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the contractual arrangements for servicing and maintenance of equipment is recognised when the services are provided, with this income generally being recognised on a straight line basis.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

1 Accounting policies (continued)

1.4 Tangible fixed assets

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

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

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

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

1.5 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have

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

1.6 Cash and cash equivalents

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

1.7 Financial instruments

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

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

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

1 Accounting policies (continued)

1.7 Financial instruments (continued)

Basic financial assets

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

Other financial assets

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

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

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

Impairment of financial assets

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

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

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

1 Accounting policies (continued)

1.7 Financial instruments (continued)

Derecognition of financial assets

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

Classification of financial liabilities

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

Basic financial liabilities

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

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

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

Other financial liabilities

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

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

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

Derecognition of financial liabilities

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

1 Accounting policies (continued)

1.8 Equity instruments

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

1.9 Derivatives

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

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

1.10 Taxation

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

Current tax

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

Deferred tax

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

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

1 Accounting policies (continued)

1.11 Provisions

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

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

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

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

1.12 Employee benefits

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

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

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

1.13 Retirement benefits

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

1.14 Leases

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

1.15 Foreign exchange

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

2 Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements

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

Warranty

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

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

The Company assesses the warranty rates each year, which may result in a change to previous accounting estimates.

Stock provisions

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

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

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

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

Accruals for promotions and loyalty support

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

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

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

Transactions with connected parties

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

3 Turnover and other revenue**Turnover analysed by geographical market**

	2017	2016
	£ '000	£ '000
United Kingdom	21,326	22,171
Europe (other than The United Kingdom)	173	172
	<u>21,499</u>	<u>22,343</u>

Alpha Therm Limited**Notes to the financial statements (continued)****For the year ended 31 December 2017****4 Employees**

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

	2017	2016
	Number	Number
Administrative staff	44	42
Sales staff	20	21
	<u>64</u>	<u>63</u>

Their aggregate remuneration comprised:

	2017	2016
	£ '000	£ '000
Wages and salaries	2,330	2,300
Social security costs	264	257
Pension costs	115	114
	<u>2,709</u>	<u>2,671</u>

5 Operating profit

	2017	2016
	£ '000	£ '000
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	(49)	(117)
Research and development costs	12	32
Fees payable to the company's auditors for the audit of the company's financial statements	41	28
Depreciation of owned tangible fixed assets	82	85
Cost of stocks recognised as an expense	12,014	11,739
Operating lease charges	<u>495</u>	<u>529</u>

6 Other gains and losses

	2017	2016
	£ '000	£ '000
Fair value gains/(losses) on financial instruments		
Change in value of financial assets held at fair value through profit or loss	<u>(68)</u>	<u>(280)</u>

Alpha Therm Limited**Notes to the financial statements (continued)****For the year ended 31 December 2017****7 Directors' remuneration**

	2017	2016
	£ '000	£ '000
Remuneration for qualifying services	121	123
Company pension contributions to defined contribution schemes	5	5
	<u>126</u>	<u>128</u>

8 Taxation

	2017	2016
	£ '000	£ '000
Current tax		
UK corporation tax on profits for the current period	43	86
Deferred tax		
Origination and reversal of timing differences	(11)	(7)
Total tax charge	<u>32</u>	<u>79</u>

The tax assessed for the year is higher than (2016: higher than) the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

	2017	2016
	£ '000	£ '000
Profit before taxation	<u>51</u>	<u>255</u>
Expected tax charge based on a corporation tax rate of 19.25% (2016: 20%)	10	51
Tax effect of expenses that are not deductible in determining taxable profit	18	29
Other tax adjustments	4	(1)
Tax expense for the year	<u>32</u>	<u>79</u>

Factors that may affect future tax charges

Legislation has been substantively enacted to reduce the corporation tax rate to 17% from 1 April 2020.

Alpha Therm Limited

Notes to the financial statements (continued)

For the year ended 31 December 2017

9 Tangible fixed assets

	Office equipment £ '000	Software £ '000	Total £ '000
Cost			
At 1 January 2017	256	98	354
Additions	20	22	42
Disposals	(34)	(7)	(41)
	<u>242</u>	<u>113</u>	<u>355</u>
At 31 December 2017			
Depreciation and impairment			
At 1 January 2017	137	69	206
Depreciation charged in the year	52	30	82
Eliminated in respect of disposals	(34)	(7)	(41)
	<u>155</u>	<u>92</u>	<u>247</u>
At 31 December 2017			
Carrying amount			
At 31 December 2017	<u>87</u>	<u>21</u>	<u>108</u>
At 31 December 2016	<u>119</u>	<u>29</u>	<u>148</u>

10 Dividends

No dividend has been paid in the year (2016: £nil).

11 Financial instruments

	2017 £ '000	2016 £ '000
Carrying amount of financial assets		
Debt instruments measured at amortised cost	<u>4,075</u>	<u>5,153</u>
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
- Other financial liabilities	68	280
Measured at amortised cost	<u>6,607</u>	<u>5,334</u>

Notes to the financial statements (continued)

For the year ended 31 December 2017

11 Financial instruments (continued)

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

Foreign currency contracts

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

As at 31 December 2017, the outstanding contracts all mature within 17 months (2016: 11 months) of the year end. The company is committed to buy a maximum EUR 17,700,000 (2016 EUR 9,745,956), and receive a fixed sterling amount. This amount could reduce depending upon the performance of the contracts within the foreign exchange markets.

12 Stocks

	2017	2016
	£ '000	£ '000
Finished goods and goods for resale	1,326	1,581

13 Share capital

	2017	2016
	£	£
Authorised		
100 Ordinary shares of £1 each	100	100
Issued and fully paid		
100 Ordinary shares of £1 each	100	100

Alpha Therm Limited**Notes to the financial statements (continued)****For the year ended 31 December 2017****14 Creditors: amounts falling due within one year**

	2017	2016
	£ '000	£ '000
Trade creditors	458	205
Amounts due to group undertakings	3,725	3,950
Corporation tax	26	58
Other taxation and social security	734	664
Derivative financial instruments	68	280
Dividends payable	-	-
Other creditors	33	85
Accruals and deferred income	721	1,094
	<u>5,766</u>	<u>6,336</u>

15 Debtors

	2017	2016
	£ '000	£ '000
Amounts falling due within one year:		
Trade debtors	5,891	5,086
Other debtors	121	67
Prepayments and accrued income	257	124
	<u>6,269</u>	<u>5,277</u>

16 Deferred taxation

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

	2017	2016
	£ '000	£ '000
Balances:		
Deferred tax (asset)/liability	<u>(9)</u>	<u>2</u>

Alpha Therm Limited

Notes to the financial statements (continued)

For the year ended 31 December 2017

17 Provisions for liabilities

	Notes	2017 £ '000	2016 £ '000
Warranty provision		2,728	2,547
Deferred tax (asset)/liability	16	(9)	2
		<u>2,719</u>	<u>2,549</u>

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

	£ '000
At 1 January 2017	2,547
Additional provisions in the year	1,085
Utilisation of provision	(904)
At 31 December 2017	<u>2,728</u>

18 Retirement benefit schemes

Defined contribution schemes

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

The charge to profit and loss in respect of defined contribution schemes was £115,331 (2016 - £113,635)

Alpha Therm Limited

Notes to the financial statements (continued)

For the year ended 31 December 2017

19 Profit and loss reserves

	2017	2016
	£ '000	£ '000
At the beginning of the year	666	490
Profit for the year	19	176
Dividends	-	-
	<u> </u>	<u> </u>
At the end of the year	<u>685</u>	<u>666</u>

20 Related party transactions

A breakdown of transactions between the Company and its related parties is disclosed below.

No related party loan note balances exist at 31 December 2017 or 31 December 2016.

There were no material transactions or balances between the Company and its key management personnel or members of their close family. At the end of the period, key management personnel did not owe the Company any amounts.

The Companies Act 2006 and the Directors' Remuneration Report Regulations 2013 require certain disclosures of Directors' remuneration. The details of the Directors' total remuneration are provided in the note below.

	2016	2017
	£'000	£'000
Aggregate compensation	<u>242</u>	<u>219</u>

During the year the Company entered into transactions, in the ordinary course of business, with other group entities. Transactions entered into, and trading balances outstanding at 31 December, are as follows:

	2016	2017
	£'000	£'000
Sales to related parties	Nil	Nil
Purchases from Group companies	10,941	10,899
Costs recharges from Group companies in respect of Research and Development and IT expenditure	56	52
Head office building rent paid to the Parent Company	264	264
Amounts owed from related parties	Nil	Nil
Amounts owed to related parties	<u>3,950</u>	<u>3,682</u>

21 Operating lease commitments

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

	2017	2016
	£ '000	£ '000
Within one year	519	503
Between two and five years	1,244	1,365
In over five years	1,540	1,760
	<u>3,303</u>	<u>3,628</u>

Lessor

The Company holds surplus office space which is sublet to the third parties. These non-cancellable leases have remaining terms of between 5 and 8 years. All leases include a provision for five-yearly upward rent reviews according to prevailing market conditions. There are no options in place for either party to extend the lease terms.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2017	2016
	£ '000	£ '000
Within one year	161	164
Between two and five years	515	547
In over five years	<u>386</u>	<u>515</u>
	<u>1,062</u>	<u>1,226</u>

22 Controlling party

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

Alpha Therm Limited

Notes to the financial statements (continued)

For the year ended 31 December 2017

23 Cash generated from operations

	2017	2016
	£ '000	£ '000
Profit for the year after tax	19	176
Adjustments for:		
Taxation charged	32	79
Depreciation and impairment of tangible fixed assets	82	85
Other gains and losses	(212)	280
Increase/(decrease) in provisions	181	178
Movements in working capital:		
(Increase)/decrease in stocks	268	(16)
Decrease/(increase) in debtors	(993)	1,856
(Decrease) in creditors	(336)	(542)
Cash generated from operations	(959)	2,096