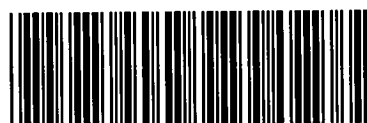


**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
FOR
ELCO HEATING SOLUTIONS LIMITED**

SATURDAY



ACIZX8DC

A25

23/12/2023

#109

COMPANIES HOUSE

ELCO HEATING SOLUTIONS LIMITED

**CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

| | Page |
|--|-------------|
| Company Information | 1 |
| Strategic Report | 2 |
| Report of the Directors | 4 |
| Report of the Independent Auditors | 6 |
| Statement of Comprehensive Income | 10 |
| Balance Sheet | 11 |
| Statement of Changes in Equity | 12 |
| Notes to the Financial Statements | 13 |
| Trading and Profit and Loss Account | 23 |

ELCO HEATING SOLUTIONS LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2022**

DIRECTORS:

C Andreatini
E Pauletta D'Anna
H Kebbache

REGISTERED OFFICE:

3 Juniper West Fenton Way
Southfields Business Park
Basildon
Essex
SS15 6SJ

REGISTERED NUMBER:

06414126 (England and Wales)

AUDITORS:

Belluzzo Audit Limited
Chartered Accountants and Statutory Auditors
38 Craven Street
London
WC2N 5NG

ELCO HEATING SOLUTIONS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present their strategic report and audited financial statements for the year ended 31 December 2022.

Principal activities

The principal activities of the company is the supply and maintenance of commercial heating boilers and associated equipment.

REVIEW OF BUSINESS

The company monitors its performance on a monthly and quarterly basis through a number of key indicators:

- Revenue and Volumes by Brand, Product Line and Sales Area
- Fixed Costs by category including total as a percentage of net sales
- Selling variable costs as a percentage of net sales, including Transportation and Commercial Costs.

The UK commercial condensing boiler market grew by 10.8% in the year, reflecting a partial recovery.

Reported turnover for the year increased overall by 1% to £7,520,625 (2021: £7,466,664), impacting both the Elco Commercial and ATAG brands with a 10% increase to £4,929,669 (2021: £4,502,644) for Elco Commercial, with the ATAG Commercial brand experiencing a 17% reduction to 1,621,142 (2021: £1,958,621) benefiting from its more favourable route to market.

Merchant business demand remained strong as opposed to the specification market which was significantly impacted in the year. Service business remained in line with the prior year at £969,814 (2021: £1,005,398).

Gross profit margin grew to 52% from 48% against the prior year, primarily due to lower absorption of price increases on group products, and from difficulties experienced in increasing selling prices whilst maintaining product volumes.

Administration costs increased by £470,082 (12%) against the prior year.

ELCO HEATING SOLUTIONS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

PRINCIPAL RISKS AND UNCERTAINTIES

The company trades with fellow group companies based on a well-structured group transfer pricing policy and as a result is exposed to the exchange rate movement between the Euro and the GBP. There is also an element of foreign exchange risk from a small number of European suppliers the company transacts with.

The company is primarily exposed to credit and liquidity risk, which is managed using appropriate mitigation strategies.

Credit Risk

Credit risk is the risk that a customer will default on their financial obligations with Elco Heating Solutions. The company's approach is to ensure all outstanding debts are paid in full and to undertake credit checks of new and existing customers. The company also has in place credit insurance which can be actioned to recover unpaid debt in the event a customer becomes insolvent or through business failure.

Liquidity Risk

Liquidity risk is the risk the company will have insufficient liquidity to meet its financial obligations as they fall due. The company's liquidity risk is managed by the group. The group's approach to managing liquidity risk is to ensure as far as possible, it will always have sufficient liquidity to meet its liabilities as due under normal circumstances without incurring unacceptable losses or risking damage to the group's reputation. The group maintains sufficient cash reserves and readily realisable marketable securities to meet its liquidity requirements at all times, additionally the group has certain unutilised revolving committed facilities at its disposal.

Legislative Risk

Following the UK's withdrawal from the EU on the 1 January 2021, the company has implemented additional measures to ensure compliance and importation duties relating to the impact of the UK's withdrawal from the EU free trade agreement are discharged, in relation to products procured from its group associated undertakings, and supply chains within the EU.

Going Concern

Elco Heating Solutions Limited recorded operating loss of £ 64,386 in 2022 (2021: Loss £185,802), primarily driven by the adverse market environment for commercial heating products and lower demand.

Reported turnover for the year was £7,520,625 (2021: £7,446,664), representing a small difference from prior year reduction resulting from flat demand within the specification market and larger projects, which directly impacted lower margin sales on Heat Interface Units and large output Floor Standing Boiler within the Elco brand.

As at 31 December, the company had net assets of £3,111,281 (2021: £3,160,184).

Future developments

The business of Elco Heating Solution was sold in its entirety to Ariston U.K. Ltd (previously known as Ariston Thermo Limited) during the year 2023. Since then the company will remain dormant and have no liabilities.

ON BEHALF OF THE BOARD:



E Pauletta D'Anna - Director

Date: 22/12/2023

ELCO HEATING SOLUTIONS LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report with the financial statements of the company for the year ended 31 December 2022.

DIVIDENDS

The loss after tax for the financial year amounted to £ (48,903) (2021: Loss of £137,414).

The company did not pay dividends in 2022 (2021: £nil) and do not recommend payment of a final dividend (2021: £nil)

Directors' indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company's ultimate parent company, Ariston Holding N.V, also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of the company and its directors.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

The directors who have held office during the period from 1 January 2022 to the date of this report are as follows:

M J Goodchild - resigned 25 March 2022

C Andreatini, E Pauletta D'Anna and H Kebbaché were appointed as directors after 31 December 2022 but prior to the date of this report.

E Gabrielli and G Montesi ceased to be directors after 31 December 2022 but prior to the date of this report.

DIRECTORS' RESPONSIBILITIES STATEMENT

ELCO HEATING SOLUTIONS LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2022

DIRECTORS' RESPONSIBILITIES STATEMENT - continued

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom 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), including Financial Reporting Standard FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). 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 for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies in accordance with Section 10 of FRS 102 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance;
- state whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will not 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 company 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.

Under applicable law and regulations, the directors are also responsible for preparing a directors' report, that complies with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Disclosure of information to auditors

STATEMENT AS TO DISCLOSURE OF INFORMATION 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, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITORS

The auditors, Belluzzo Audit Limited, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

ON BEHALF OF THE BOARD:



.....
E Pauletta D'Anna - Director

Date: 22/12/2023

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ELCO HEATING SOLUTIONS LIMITED

Opinion

We have audited the financial statements of Elco Heating Solutions Limited (the 'company') for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, 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 Financial Reporting Standard 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 state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Auditors' responsibilities for the audit of the financial statements section of our report. 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
ELCO HEATING SOLUTIONS LIMITED**

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 the Report of the Directors.

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on pages four and five, 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 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ELCO HEATING SOLUTIONS LIMITED

Auditors' 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 a Report of the Auditors 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach to identifying and assessing the risks of material misstatements in respect of irregularities, including fraud and non-compliance with laws was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those relating to the reporting framework (United Kingdom Generally Accepted Accounting Practice) and the relevant direct and indirect tax compliance regulations.
- The engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations.
- We identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the company's activity.
- We focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation and data protection.
- We understood how Elco Heating Solutions Limited is complying with those frameworks by making enquiries with management to understand how the company maintains and communicates its policies and procedures to ensure compliance. We corroborated this through our review of the company's board minutes. We also reviewed correspondence with the relevant tax authorities regarding tax compliance.
- Identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by:
 - making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
 - considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations; and
 - understanding the potential incentives and pressures for management to manipulate the financial statements and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures on this Company as a holding entity, we identified management override of controls as our fraud risk.
- To address our fraud risk of management override of controls, we performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining any accounting estimates were indicative of potential bias;
- investigated the rationale behind significant or unusual transactions. In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:
- agreeing financial statement disclosures to underlying supporting documentation.
- reading the minutes of meetings of those charged with governance.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
ELCO HEATING SOLUTIONS LIMITED**

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

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 a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Tony Castagnetti (Senior Statutory Auditor)
for and on behalf of Belluzzo Audit Limited
Chartered Accountants and Statutory Auditors
38 Craven Street
London
WC2N 5NG

Date: 22 December 2023

ELCO HEATING SOLUTIONS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

| | Notes | 2022 £ | 2021 £ |
|--|-------|------------------|------------------|
| TURNOVER | 5 | 7,520,625 | 7,466,664 |
| Cost of sales | | <u>3,602,116</u> | <u>3,922,474</u> |
| GROSS PROFIT | | 3,918,509 | 3,544,190 |
| Administrative expenses | | <u>4,271,393</u> | <u>3,801,311</u> |
| | | (352,884) | (257,121) |
| Other operating income | | <u>288,498</u> | <u>71,319</u> |
| OPERATING LOSS | 7 | (64,386) | (185,802) |
| Interest receivable and similar income | 8 | <u>15,483</u> | <u>35,435</u> |
| LOSS BEFORE TAXATION | | (48,903) | (150,367) |
| Tax on loss | 9 | <u>-</u> | <u>(12,953)</u> |
| LOSS FOR THE FINANCIAL YEAR | | (48,903) | (137,414) |
| OTHER COMPREHENSIVE INCOME | | <u>-</u> | <u>-</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | <u>(48,903)</u> | <u>(137,414)</u> |

The notes form part of these financial statements

BALANCE SHEET
31 DECEMBER 2022

| | Notes | 2022 £ | 2021 £ |
|--|-------|-------------------------|-------------------------|
| CURRENT ASSETS | | | |
| Stocks | 11 | 1,044,782 | 1,792,000 |
| Debtors | 12 | 3,384,623 | 3,647,866 |
| Cash at bank | | 1,205,533 | 247,668 |
| | | <u>5,634,938</u> | <u>5,687,534</u> |
| CREDITORS | | | |
| Amounts falling due within one year | 13 | 2,359,109 | 2,360,904 |
| | | <u>2,359,109</u> | <u>2,360,904</u> |
| NET CURRENT ASSETS | | <u>3,275,829</u> | <u>3,326,630</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>3,275,829</u> | <u>3,326,630</u> |
| PROVISIONS FOR LIABILITIES | 15 | 164,548 | 166,446 |
| | | <u>164,548</u> | <u>166,446</u> |
| NET ASSETS | | <u><u>3,111,281</u></u> | <u><u>3,160,184</u></u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 16 | 3,001,750 | 3,001,750 |
| Share premium | 17 | 15,750 | 15,750 |
| Retained earnings | 17 | 93,781 | 142,684 |
| | | <u>3,111,281</u> | <u>3,160,184</u> |
| SHAREHOLDERS' FUNDS | | <u><u>3,111,281</u></u> | <u><u>3,160,184</u></u> |

The financial statements were approved by the Board of Directors and authorised for issue on 22/12/23 and were signed on its behalf by:


.....
E Pauletta D'Anna - Director

ELCO HEATING SOLUTIONS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

| | Called up share capital £ | Retained earnings £ | Share premium £ | Total equity £ |
|------------------------------------|------------------------------------|---------------------------|-----------------------|-------------------------|
| Balance at 1 January 2021 | 3,001,750 | 280,098 | 15,750 | 3,297,598 |
| Changes in equity | | | | |
| Total comprehensive income | - | (137,414) | - | (137,414) |
| Balance at 31 December 2021 | <u>3,001,750</u> | <u>142,684</u> | <u>15,750</u> | <u>3,160,184</u> |
| Changes in equity | | | | |
| Total comprehensive income | - | (48,903) | - | (48,903) |
| Balance at 31 December 2022 | <u><u>3,001,750</u></u> | <u><u>93,781</u></u> | <u><u>15,750</u></u> | <u><u>3,111,281</u></u> |

The notes form part of these financial statements

ELCO HEATING SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. STATUTORY INFORMATION

Elco Heating Solutions Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. STATEMENT OF COMPLIANCE

The individual financial statements of Elco Heating Solutions Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Ireland" ("FRS 102") and the Companies Act 2006.

3. ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements have been prepared under the historical cost convention.

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006.

The report and financial statements cover the year to 31 December 2022. The company's financial statements are presented in sterling which is the functional currency of the company.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Going concern

The Company's business activities together with factors effecting its future development its financial position risks and uncertainties are as set out in the Strategic report on page 3.

The company meet its day to day working capital requirements through its operational cash balances and working capital, in order to meet its future liabilities as they fall due.

After making due enquiries the directors have a reasonable expectation that the company has adequate resources to continuing in operation for the foreseeable future and have prepared the financial statements on a going concern basis.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered net of returns, discounts and rebates allowed by the company and value added taxes.

Revenue from the sale of goods is recognised according to the applicable delivery terms (once risk/ reward transferred to the customer).

Income from warranty contracts which include a service plan is split between an annual service and breakdown cover. The annual service revenue is recognised when the work is performed. Revenue in respect of breakdown cover is spread equally over the contracted period.

Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

i) Short term benefits

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

Short terms benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

ii) Defined contribution pension plans

The company operates a defined contribution pension scheme for its employees. A defined contribution scheme is a pension scheme under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown as accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

iii) Annual bonus plan

The company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reasonable estimate of the obligation can be made.

Leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 paragraphs 11.39 to 11.48A and Section 12 pa;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7..

Tangible fixed assets

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

| | |
|-----------------------|---------------------|
| Plant and machinery | - 15% on cost |
| Fixtures and fittings | - 25% straight line |

Stocks

Stocks are valued at the lower of cost and estimated selling price less cost to complete and sell after making due allowance for obsolete and slow moving stocks.

Stocks are recognised as an expense in the period in which the related revenues are recognised.

Cost is determined on the first-in, first-out (FIFO) method.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

3. ACCOUNTING POLICIES - continued

Financial instruments

The company has adopted Sections 11 and 12 of FRS 102 in respect of financial instruments.

i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, 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.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. 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.

Financial assets are derecognised when a) the contractual rights to the cash flows from the asset expire or are settled, or b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or c) control of the asset is transferred to another party who has the ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies, 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 payables 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 non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

iii) Offsetting

Financial assets and liabilities are offset and 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.

Distributions to equity holders

Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

Related party transactions

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

3. ACCOUNTING POLICIES - continued

The company discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022**

3. ACCOUNTING POLICIES - continued

Foreign currencies

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the date of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was measured.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts.

Provisions and contingencies

i) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

In particular:

i) Provision is made for the expected costs of supplying parts and labour under warranty agreements; and

ii) Provision is not made for future operating losses.

iii) Contingencies

Contingent liabilities arising as a result of past events are not recognised when i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are only disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are only disclosed in the financial statements when an inflow of economic benefits is probable.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

4. **CRITICAL ACCOUNTING JUDGEMENTS 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.

Critical accounting estimates and assumptions

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) Stock provisioning

The company holds a large quantity of spare parts within its stocks, to be able to maintain equipment supplied to customers.

A provision is calculated on each item, based on the level of stock cover and the potential for obsolescence.

ii) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of debtors, management considers factors including the ageing profile of the debts and the credit rating of the market.

iii) Warranty cost provisioning

The company provides warranties on certain of the products it sells. A provision is made, based on the historical amount of warranty costs incurred, average warranty period and sales growth.

5. **TURNOVER**

The turnover and loss before taxation are attributable to the principal activities of the company.

An analysis of turnover by class of business is given below:

| | 2022 | 2021 |
|-------------------------------|------------------|------------------|
| | £ | £ |
| Turnover arising Elco branded | 4,929,669 | 4,502,644 |
| Turnover arising ATAG branded | 1,621,142 | 1,958,622 |
| Services | 969,814 | 1,005,398 |
| | <u>7,520,625</u> | <u>7,466,664</u> |

6. **EMPLOYEES AND DIRECTORS**

| | 2022 | 2021 |
|-----------------------|------------------|------------------|
| | £ | £ |
| Wages and salaries | 1,950,090 | 1,818,180 |
| Social security costs | 183,389 | 150,535 |
| Other pension costs | 64,815 | 92,753 |
| | <u>2,198,294</u> | <u>2,061,468</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

6. **EMPLOYEES AND DIRECTORS - continued**

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

| | 2022 | 2021 |
|--------------------------------|-----------|-----------|
| Production staff | 19 | 19 |
| Selling and distribution staff | 12 | 12 |
| Administrative staff | 11 | 11 |
| | <u>42</u> | <u>42</u> |

The company operates a defined contribution 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 to the fund and amounted to £64,815 in 2022 (2021:£92,753)

| | 2022 £ | 2021 £ |
|-------------------------|----------------|----------------|
| Directors' remuneration | <u>184,923</u> | <u>178,006</u> |

7. **OPERATING LOSS**

The operating loss is stated after charging:

| | 2022 £ | 2021 £ |
|------------------------------|--------------|--------------|
| Other operating leases | 339,148 | 407,306 |
| Depreciation - owned assets | - | 3,174 |
| Auditors remuneration | 15,000 | 15,000 |
| Foreign exchange differences | <u>9,426</u> | <u>1,525</u> |

8. **INTEREST RECEIVABLE AND SIMILAR INCOME**

| | 2022 £ | 2021 £ |
|--------------------------|---------------|---------------|
| Deposit account interest | <u>15,483</u> | <u>35,435</u> |

9. **TAXATION**

Analysis of the tax credit

The tax credit on the loss for the year was as follows:

| | 2022 £ | 2021 £ |
|--------------------|-----------|-----------------|
| Current tax: | | |
| UK corporation tax | - | (12,953) |
| Tax on loss | <u>-</u> | <u>(12,953)</u> |

UK corporation tax has been charged at 19%.

ELCO HEATING SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

9. TAXATION - continued

Reconciliation of total tax credit included in profit and loss

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

| | 2022 £ | 2021 £ |
|---|-----------|-----------|
| Loss before tax | (48,903) | (150,367) |
| Loss multiplied by the standard rate of corporation tax in the UK of 19% (2021 - 19%) | (9,292) | (28,570) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 9,052 | 15,929 |
| Capital allowances in excess of depreciation | (255) | (312) |
| Other | 495 | - |
| Total tax credit | - | (12,953) |

10. TANGIBLE FIXED ASSETS

| | Plant and machinery £ | Fixtures and fittings £ | Totals £ |
|---|-----------------------------|----------------------------------|-------------|
| COST | | | |
| At 1 January 2022 and 31 December 2022 | 14,522 | 54,485 | 69,007 |
| DEPRECIATION | | | |
| At 1 January 2022 and 31 December 2022 | 14,522 | 54,485 | 69,007 |
| NET BOOK VALUE | | | |
| At 31 December 2022 | - | - | - |
| At 31 December 2021 | - | - | - |

11. STOCKS

| | 2022 £ | 2021 £ |
|----------------|-----------|-----------|
| Finished goods | 1,044,782 | 1,792,000 |

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2022 £ | 2021 £ |
|------------------------------------|-----------|-----------|
| Trade debtors | 1,631,635 | 1,007,852 |
| Amounts owed by group undertakings | 1,304,944 | 2,376,020 |
| Other debtors | 164,566 | 1,400 |
| Corporation tax receivable | 77,939 | 91,401 |
| Prepayments and accrued income | 205,539 | 171,193 |
| | 3,384,623 | 3,647,866 |

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR - continued

The amounts owed by the parent undertaking and fellow group companies are unsecured, non-interest bearing and are repayable on demand.

Trade debtors are stated after provisions for impairment of £49,603 (2021: £112,711).

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2022 | 2021 |
|------------------------------------|------------------|------------------|
| | £ | £ |
| Trade creditors | 247,411 | 321,304 |
| Amounts owed to group undertakings | 947,683 | 1,245,819 |
| Social security and other taxes | 52,533 | - |
| VAT | 323,680 | 242,819 |
| Other creditors | 235,465 | - |
| Accrued expenses | 552,337 | 550,962 |
| | <u>2,359,109</u> | <u>2,360,904</u> |

The amounts owed to the parent undertaking and fellow group companies are unsecured, interest free and are repayable on demand.

14. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

| | 2022 | 2021 |
|----------------------------|------------------|------------------|
| | £ | £ |
| Within one year | 408,781 | 308,175 |
| Between one and five years | 1,241,880 | 1,030,465 |
| | <u>1,650,661</u> | <u>1,338,640</u> |

15. PROVISIONS FOR LIABILITIES

| | 2022 | 2021 |
|-----------------------------|----------------|----------------|
| | £ | £ |
| Other provisions | <u>164,548</u> | <u>166,446</u> |
| | | Warranty |
| | | £ |
| Balance at 1 January 2022 | | 166,446 |
| Utilised during year | | (1,898) |
| Balance at 31 December 2022 | | <u>164,548</u> |

16. CALLED UP SHARE CAPITAL

| Allotted, issued and fully paid: | | | 2022 | 2021 |
|----------------------------------|-----------------|----------------|------------------|------------------|
| Number: | Class: | Nominal value: | £ | £ |
| 17,500,000 | Ordinary shares | 0.0001 | 1,750 | 1,750 |
| 3,000,000 | Ordinary shares | 1 | 3,000,000 | 3,000,000 |
| | | | <u>3,001,750</u> | <u>3,001,750</u> |

ELCO HEATING SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2022

16. CALLED UP SHARE CAPITAL - continued

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

17. RESERVES

| | Retained earnings £ | Share premium £ | Totals £ |
|----------------------|---------------------------|-----------------------|----------------|
| At 1 January 2022 | 142,684 | 15,750 | 158,434 |
| Deficit for the year | (48,903) | | (48,903) |
| At 31 December 2022 | <u>93,781</u> | <u>15,750</u> | <u>109,531</u> |

18. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company's ultimate holding company and controlling party was Ariston Holding N.V. incorporated and registered in The Netherlands. The Directors regard this company as the ultimate parent company and controlling party.

The consolidated results of the Group are available to the public and may be obtained from the following address:

Viale Aristide Merloni 45
60044 Fabriano
Italy.

The Directors regard Ariston U.K. Ltd (previously known as Ariston Thermo UK Limited), a company registered in the United Kingdom, as the immediate parent undertaking.

19. POST BALANCE SHEET EVENTS

In June 2023, Elco Heating Solutions Limited hived its entire business including all its assets and liabilities to the parent company, Ariston U.K. Limited (previously known as Ariston Thermo UK Limited).