

Company Registration No. NI054205 (Northern Ireland)

ALTERNATIVE HEAT LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

ALTERNATIVE HEAT LIMITED

CONTENTS

	Page
Company information	1
Strategic report	2 - 3
Directors' report	4 - 5
Independent auditor's report	6 - 8
Statement of comprehensive income	9
Balance sheet	10
Statement of changes in equity	11
Statement of cash flows	12
Notes to the financial statements	13 - 27

ALTERNATIVE HEAT LIMITED

COMPANY INFORMATION

Directors	Mr Donal McMullan Mr Connel McMullan Mr Martin McMullan Mr Cathal McMullan
Secretary	Mr Donal McMullan
Company number	NI054205
Registered office	Unit 18-19 Scarva Industrial Estate Banbridge BT32 3QD
Auditor	Moore (N.I.) LLP 4th Floor Donegall House 7 Donegall Square North Belfast BT1 5GB
Bankers	Bank of Ireland 12 Trevor Hill Newry Co. Down BT34 1DT
Solicitors	Davidson McDonnell Longbridge House 24 Waring Street Belfast BT1 2DX

ALTERNATIVE HEAT LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The directors present the strategic report for the year ended 31 March 2020.

Fair review of the business

The directors consider the results for the year and the position of our company at the year end to be satisfactory. Our company will continue to seek every opportunity to increase profitable turnover.

The directors are committed to long term creation of shareholder value by increasing the company's market share through organic growth. Further successful implementation of this growth strategy combined with achievement of improvements in inventory management and overhead cost savings has resulted in the satisfactory results reported for 2020, despite economic conditions and the sector remaining highly competitive. The incoming year has shown that early results are satisfactory and the directors expect a year of continued progress.

Current ratio has decreased to 2.50 in 2020 from 2.92 in 2019. The debt to equity ratio has increased to 0.80 in 2020 from 0.60 in 2019.

Principal risks and uncertainties

Our company's operations expose it to a variety of financial risks that include price risk, credit risk, liquidity risk and interest rate risk. Our company has in place a risk management program that seeks to limit the adverse effects on the financial performance of our company by monitoring levels of debt finance and the related finance costs. Given the size of our company, the directors have assumed responsibility for the monitoring of financial risk management.

Price risk

Our company has no exposure to equity securities price risk as it holds no listed equity investments.

Credit risk

Our company is exposed to credit risk due to its policy of giving credit to customers. In these instances our company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to individual customers is subject to a limit, which is reassessed regularly by the directors.

Liquidity risk

Our company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure our company has sufficient available funds for operations and planned expansions.

Interest rate cash flow risk

Our company has a policy of monitoring its debt finance to ensure certainty of future interest cash flows. The directors will revisit this policy should the company's operations change in size or nature or otherwise be deemed necessary.

ALTERNATIVE HEAT LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

Environment

Our company recognises its responsibility to carry out its operations whilst minimising environmental impacts. The directors' continued aim is to comply with all applicable environmental legislation, prevent pollution and reduce waste wherever possible.

Health and safety

Our company is committed to achieving the highest possible standards in health and safety management and strives to make its sites and offices safe environments for employees and customers alike.

Human resources

Our company's most important resource is its people, their knowledge and experience are crucial to meeting customer requirements and retention of key staff is critical. Our company not only ensures that our overall pay and benefit packages are extremely competitive but has invested massively in the wider cultural aspects of staff retention, including career development, staff health and wellbeing, work life balance and staff communication.

Training is provided for staff as and when required and team building events are organised throughout the year to enable the team to continue to grow and develop at all levels.

Research and development

Our company continues to push the boundaries on conventional construction methods. The increased investment in design enables us to develop, integrate and operate better quality, more environmentally friendly, safer and efficient ways of delivering M&E projects.

Our company continues to invest heavily in R&D activities in order to streamline existing solutions and develop new products to ensure they remain at the forefront with their offerings.

On behalf of the board

Mr Connel McMullan

Director

29 October 2020

ALTERNATIVE HEAT LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The directors present their annual report and financial statements for the year ended 31 March 2020.

Principal activities

During the year the company continued to design, install and operate commercial energy systems ranging in output from 1 – 16Mw for a broad range of applications. These systems typically operate from decentralised energy centres generating efficient low carbon heat and power solutions for district heating schemes.

The maintenance division continues to push the boundaries of technology to ensure the systems they operate are performing to the highest standard and daily and monthly reports are continuously interrogated and upgraded where possible to help enhance the service they offer.

The company continued to excel in the commercial offsite prefabrication sector and has designed and delivered a wide range of bespoke offsite prefabricated Energy Centres, Skid mounted plantrooms, Mechanical and Electrical horizontal and vertical riser solutions and Packaged Utility Cupboards (PUCs) throughout the UK and Ireland.

Our design and build pre-fabricated packages have helped developers save money, improve the quality and continuity of the build, increase productivity and reduce waste and carbon emissions associated with conventional construction methods.

Directors

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

Mr Donal McMullan
Mr Connel McMullan
Mr Martin McMullan
Mr Cathal McMullan

Results and dividends

The results for the year are set out on page 9.

Ordinary dividends were paid amounting to £166,000. The directors do not recommend payment of a final dividend.

Post reporting date events

In response to the effects of the outbreak of the COVID-19 global pandemic in March 2020, appropriate measures were implemented to mitigate the impacts of this to ensure the business could continue trading during these unprecedented circumstances. Immediate measures were taken in response to these events to protect the operation of the business and its employees which included social distancing measures and increased hygiene routines, along with ongoing close monitoring of working capital. Despite the uncertainty of the length of the pandemic the directors consider sufficient actions have been taken to mitigate the financial impact and adequate resources are available to allow the company to continue to trade.

Auditor

The auditor, Moore (N.I.) LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

ALTERNATIVE HEAT LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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;
- 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 auditor

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 auditor is 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 auditor is aware of that information.

On behalf of the board

Mr Connel McMullan
Director

29 October 2020

ALTERNATIVE HEAT LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ALTERNATIVE HEAT LIMITED

Opinion

We have audited the financial statements of Alternative Heat Limited (the 'company') for the year ended 31 March 2020 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows 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 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 state of the company's affairs as at 31 March 2020 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. 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.

Emphasis of matter

We draw attention to note 1.2 of the financial statements, which describes the directors' assessment of the impact of Covid-19 pandemic which has occurred after the reporting date.

The COVID-19 global pandemic has led to some uncertainty after the year end but the directors remain satisfied that adequate resources are available to allow the company to continue to trade. The directors have taken all reasonable steps to minimise any impact.

Thus the directors are comfortable with and continue to adopt the going concern basis of accounting in preparing the financial statements.

Our opinion is not modified in this respect.

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.

ALTERNATIVE HEAT LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF ALTERNATIVE HEAT LIMITED

Other information

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

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, 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.

ALTERNATIVE HEAT LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF ALTERNATIVE HEAT LIMITED

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/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi>. This description forms part of our auditor's report.

The purpose of our audit work and to whom we owe our responsibilities

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.

Dr R I Peters Gallagher OBE FCA (Senior Statutory Auditor)
for and on behalf of Moore (N.I.) LLP

29 November 2020

Chartered Accountants
Statutory Auditor

4th Floor Donegall House
7 Donegall Square North
Belfast
BT1 5GB

ALTERNATIVE HEAT LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	2019 £
Turnover	3	19,487,605	16,842,280
Cost of sales		(14,743,160)	(11,962,386)
Gross profit		4,744,445	4,879,894
Administrative expenses		(4,051,447)	(3,773,759)
Other operating income		312,000	-
Operating profit	4	1,004,998	1,106,135
Interest receivable and similar income	7	6,070	8,265
Interest payable and similar expenses	8	(861)	(1,979)
Profit before taxation		1,010,207	1,112,421
Tax on profit	9	(198,486)	1,347
Profit for the financial year		811,721	1,113,768

ALTERNATIVE HEAT LIMITED

BALANCE SHEET

AS AT 31 MARCH 2020

	Notes	2020		2019	
		£	£	£	£
Fixed assets					
Tangible assets	11		1,076,059		1,130,782
Current assets					
Stocks	12	2,896,706		1,244,107	
Debtors	13	4,106,439		2,373,767	
Cash at bank and in hand		3,607,023		4,770,291	
		<u>10,610,168</u>		<u>8,388,165</u>	
Creditors: amounts falling due within one year	14	<u>(4,248,395)</u>		<u>(2,875,706)</u>	
Net current assets			<u>6,361,773</u>		<u>5,512,459</u>
Total assets less current liabilities			<u>7,437,832</u>		<u>6,643,241</u>
Creditors: amounts falling due after more than one year	15		-		(7,296)
Provisions for liabilities	17		<u>(969,341)</u>		<u>(813,175)</u>
Net assets			<u>6,468,491</u>		<u>5,822,770</u>
Capital and reserves					
Called up share capital	21		80		80
Profit and loss reserves			<u>6,468,411</u>		<u>5,822,690</u>
Total equity			<u>6,468,491</u>		<u>5,822,770</u>

The financial statements were approved by the board of directors and authorised for issue on 29 October 2020 and are signed on its behalf by:

Mr Donal McMullan
Director

Mr Connel McMullan
Director

Company Registration No. NI054205

ALTERNATIVE HEAT LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020

	Share capital	Profit and loss reserves	Total
Notes	£	£	£
Balance at 1 April 2018	80	5,069,922	5,070,002
Year ended 31 March 2019:			
Profit and total comprehensive income for the year	-	1,113,768	1,113,768
Dividends	10	(361,000)	(361,000)
		<hr/>	<hr/>
Balance at 31 March 2019	80	5,822,690	5,822,770
Year ended 31 March 2020:			
Profit and total comprehensive income for the year	-	811,721	811,721
Dividends	10	(166,000)	(166,000)
		<hr/>	<hr/>
Balance at 31 March 2020	80	6,468,411	6,468,491
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

ALTERNATIVE HEAT LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020		2019	
		£	£	£	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	25				
		(873,372)		629,803	
Interest paid		(861)		(1,979)	
Income taxes paid		(33,090)		(401,074)	
Net cash (outflow)/inflow from operating activities		(907,323)		226,750	
Investing activities					
Purchase of tangible fixed assets		(65,100)		(163,949)	
Proceeds on disposal of tangible fixed assets		300		4,650	
Interest received		6,070		8,265	
Net cash used in investing activities		(58,730)		(151,034)	
Financing activities					
Repayment of bank loans		(31,239)		(30,121)	
Dividends paid		(166,000)		(361,000)	
Net cash used in financing activities		(197,239)		(391,121)	
Net decrease in cash and cash equivalents		(1,163,292)		(315,405)	
Cash and cash equivalents at beginning of year		4,770,291		5,085,696	
Cash and cash equivalents at end of year		3,606,999		4,770,291	
Relating to:					
Cash at bank and in hand		3,607,023		4,770,291	
Bank overdrafts included in creditors payable within one year		(24)		-	

ALTERNATIVE HEAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

Company information

Alternative Heat Limited is a private company limited by shares incorporated in Northern Ireland. The registered office is Unit 18-19, Scarva Industrial Estate, Banbridge, BT32 3QD.

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 £.

1.2 Going concern

In response to the effects of the outbreak of the COVID-19 global pandemic in March 2020, appropriate measures were implemented to mitigate the impacts of this to ensure the business could continue trading during these unprecedented circumstances. Immediate measures were taken in response to these events to protect the operation of the business and its employees which included social distancing measures and increased hygiene routines, along with ongoing close monitoring of working capital. Despite the uncertainty of the length of the pandemic the directors consider sufficient actions have been taken to mitigate the financial impact and adequate resources are available to allow the company to continue to trade.

Thus the directors are comfortable with and continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

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 contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

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:

Leasehold land and buildings	4% straight line
Plant and equipment	15% reducing balance
Computers	33% reducing balance
Motor vehicles	25% reducing balance

ALTERNATIVE HEAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

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 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 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 been incurred in bringing the stocks to their present location and condition.

Work in progress is measured on a project by project basis as cost of work completed less previously invoiced. Sales retentions outstanding on projects are also included within work in progress.

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.

ALTERNATIVE HEAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies (Continued)

1.7 Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting end date. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable that they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When costs incurred in securing a contract are recognised as an expense in the period in which they are incurred, they are not included in contract costs if the contract is obtained in a subsequent period.

The "percentage of completion method" is used to determine the appropriate amount to recognise in a given period. The stage of completion is measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These costs are presented as stocks, prepayments or other assets depending on their nature, and provided it is probable they will be recovered.

1.8 Cash at bank and in hand

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 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.

Basic financial assets

Basic financial assets, which include 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. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, 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.

ALTERNATIVE HEAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

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.

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 creditors, bank loans, loans from fellow group companies and preference shares 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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. Amounts 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 creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently 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.

ALTERNATIVE HEAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

Derecognition of financial liabilities

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

1.10 Equity instruments

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

1.11 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. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. 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.

1.12 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 in which it arises.

ALTERNATIVE HEAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

Warranty Provision

The company provides warranties at the time of sale to purchasers of its products. Under the terms of the contract for sale the manufacturer undertakes to make good, by repair or replacement, manufacturing defects that become apparent within a specific time limit from the date of sale as per the contract. On past experience, it is probable that there will be some claims under the warranties.

A provision is recognised for the best estimate of the costs of making good under the warranty products sold before the balance sheet date, because warranty estimates are forecasts that are based on the best available information, mostly historical claims experience, claims costs may differ from amounts provided.

1.13 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.

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.15 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.16 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.17 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.

ALTERNATIVE HEAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

2 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.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2020	2019
	£	£
Turnover analysed by class of business		
Sale of goods	19,487,605	16,842,280
	<u>19,487,605</u>	<u>16,842,280</u>
	2020	2019
	£	£
Other significant revenue		
Interest income	6,070	8,265
Grants received	312,000	-
	<u>318,070</u>	<u>8,265</u>
	2020	2019
	£	£
Turnover analysed by geographical market		
United Kingdom	18,157,095	16,378,401
Ireland	1,330,510	463,879
	<u>19,487,605</u>	<u>16,842,280</u>

4 Operating profit

	2020	2019
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(21,218)	(25,065)
Government grants	(312,000)	-
Fees payable to the company's auditor for the audit of the company's financial statements	5,750	6,200
Depreciation of owned tangible fixed assets	119,823	123,525
(Profit)/loss on disposal of tangible fixed assets	(300)	40,089
Operating lease charges	351,342	181,872
	<u>143,007</u>	<u>126,421</u>

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £21,218 (2019 - £25,065).

ALTERNATIVE HEAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

5 Employees

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

	2020 Number	2019 Number
Staff	112	90

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	3,515,069	2,519,677
Social security costs	345,181	266,560
Pension costs	78,405	611,387
	<u>3,938,655</u>	<u>3,397,624</u>

6 Directors' remuneration

	2020 £	2019 £
Company pension contributions to defined contribution schemes	-	320,000

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 0 (2019 - 4).

Each director received the same same total remuneration in the year.

7 Interest receivable and similar income

	2020 £	2019 £
Interest income		
Interest on bank deposits	5,000	6,982
Other interest income	1,070	1,283
Total income	<u>6,070</u>	<u>8,265</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	<u>5,000</u>	<u>6,982</u>
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ALTERNATIVE HEAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

8	Interest payable and similar expenses	2020	2019
		£	£
	Interest on financial liabilities measured at amortised cost:		
	Interest on bank overdrafts and loans	861	1,979
		<u>861</u>	<u>1,979</u>
9	Taxation	2020	2019
		£	£
	Current tax		
	UK corporation tax on profits for the current period	201,459	209,525
	Adjustments in respect of prior periods	80	(218,758)
	Total current tax	<u>201,539</u>	<u>(9,233)</u>
	Deferred tax		
	Origination and reversal of timing differences	<u>(3,053)</u>	<u>7,886</u>
	Total tax charge/(credit)	<u>198,486</u>	<u>(1,347)</u>
The actual charge/(credit) for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:			
		2020	2019
		£	£
	Profit before taxation	<u>1,010,207</u>	<u>1,112,421</u>
	Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	191,939	211,360
	Tax effect of expenses that are not deductible in determining taxable profit	826	353
	Tax effect of income not taxable in determining taxable profit	(56)	-
	Adjustments in respect of prior years	80	(218,758)
	Depreciation on assets not qualifying for tax allowances	5,697	5,698
	Taxation charge/(credit) for the year	<u>198,486</u>	<u>(1,347)</u>
10	Dividends	2020	2019
		£	£
	Interim paid	<u>166,000</u>	<u>361,000</u>

ALTERNATIVE HEAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

11 Tangible fixed assets	Leasehold land and buildings	Plant and equipment	Computers	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 April 2019	749,580	288,321	70,625	376,664	1,485,190
Additions	-	65,100	-	-	65,100
At 31 March 2020	<u>749,580</u>	<u>353,421</u>	<u>70,625</u>	<u>376,664</u>	<u>1,550,290</u>
Depreciation and impairment					
At 1 April 2019	68,226	72,637	38,487	175,058	354,408
Depreciation charged in the year	29,983	35,652	9,178	45,010	119,823
At 31 March 2020	<u>98,209</u>	<u>108,289</u>	<u>47,665</u>	<u>220,068</u>	<u>474,231</u>
Carrying amount					
At 31 March 2020	<u><u>651,371</u></u>	<u><u>245,132</u></u>	<u><u>22,960</u></u>	<u><u>156,596</u></u>	<u><u>1,076,059</u></u>
At 31 March 2019	<u><u>681,354</u></u>	<u><u>215,684</u></u>	<u><u>32,138</u></u>	<u><u>201,606</u></u>	<u><u>1,130,782</u></u>

12 Stocks	2020 £	2019 £
Raw materials and consumables	764,629	694,436
Work in progress	2,132,077	549,671
	<u><u>2,896,706</u></u>	<u><u>1,244,107</u></u>

13 Debtors	2020 £	2019 £
Amounts falling due within one year:		
Trade debtors	3,507,721	2,067,492
Corporation tax recoverable	-	128,041
Other debtors	451,286	22,790
Prepayments and accrued income	147,432	155,444
	<u><u>4,106,439</u></u>	<u><u>2,373,767</u></u>

ALTERNATIVE HEAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

14 Creditors: amounts falling due within one year

	Notes	2020 £	2019 £
Bank loans and overdrafts	16	5,481	29,400
Trade creditors		2,469,569	877,407
Corporation tax		40,408	-
Other taxation and social security		443,361	222,588
Deferred income	19	779	21,221
Other creditors		486,609	818,174
Accruals		802,188	906,916
		<u>4,248,395</u>	<u>2,875,706</u>

15 Creditors: amounts falling due after more than one year

	Notes	2020 £	2019 £
Bank loans and overdrafts	16	-	7,296
		<u>-</u>	<u>7,296</u>

16 Loans and overdrafts

	2020 £	2019 £
Bank loans	5,457	36,696
Bank overdrafts	24	-
	<u>5,481</u>	<u>36,696</u>
Payable within one year	5,481	29,400
Payable after one year	-	7,296
	<u>5,481</u>	<u>36,696</u>

The company has a facility in place with First Trust Bank for £300,000 for a forward contract but have not utilised this.

ALTERNATIVE HEAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

17 Provisions for liabilities

	Notes	2020 £	2019 £
Other provisions		901,849	742,630
Deferred tax liabilities	18	67,492	70,545
		<u>969,341</u>	<u>813,175</u>

Movements on provisions apart from deferred tax liabilities:

	Other provisions £
At 1 April 2019	742,630
Additional provisions in the year	159,219
At 31 March 2020	<u>901,849</u>

Other provisions relates to the present obligation to meet warranty costs for past sales and is calculated based on managements experience and best estimates.

18 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2020 £	Liabilities 2019 £
Balances:		
Accelerated capital allowances	<u>67,492</u>	<u>70,545</u>
Movements in the year:		2020 £
Liability at 1 April 2019		70,545
Credit to profit or loss		(3,053)
Liability at 31 March 2020		<u>67,492</u>

The net deferred tax liability expected to reverse in 12 months is £13,488. This primarily relates to the reversal of tax timing differences on capital allowances.

ALTERNATIVE HEAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

19	Deferred income	2020	2019
		£	£
	Other deferred income	<u>779</u>	<u>21,221</u>

20	Retirement benefit schemes	2020	2019
	Defined contribution schemes	£	£
	Charge to profit or loss in respect of defined contribution schemes	<u>78,405</u>	<u>611,387</u>

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.

21	Share capital	2020	2019
		£	£
	Ordinary share capital		
	Issued and fully paid		
	80 Ordinary shares of £1 each	<u>80</u>	<u>80</u>

The ordinary shares entitle the shareholders to:

- full voting rights;
- full rights to participate in dividends, as voted; and
- full rights to participate in a distribution including in a winding up situation.

22 Operating lease commitments

Lessee

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:

	2020	2019
	£	£
Within one year	<u>217,500</u>	<u>253,804</u>
Between two and five years	<u>578,500</u>	<u>593,000</u>
In over five years	<u>461,250</u>	<u>596,250</u>
	<u>1,257,250</u>	<u>1,443,054</u>

Lessor

The operating leases represent subleases of office space to third parties. The subleases are negotiated over terms of 5 years and rentals are fixed for 5 years. At the end of the lease term tenants will have the option to extend and renegotiate the lease agreement.

ALTERNATIVE HEAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

22 Operating lease commitments (Continued)

At the reporting end date the company had contracted with tenants for the following minimum lease payments:

	2020	2019
	£	£
Within one year	33,000	33,000
Between two and five years	22,000	55,000
	<u>55,000</u>	<u>88,000</u>

23 Related party transactions

During the year the company purchased goods from Kane Group Building Services Ltd, a company with common directors, totalling £307,678 (2019: £232,334), the balance outstanding in respect of these transactions at 31 March 2020 was £87,918 (2019: £50,107) and is included in trade creditors.

During the year the company made sales to Kane Group Building Services Ltd, a company with common directors, totalling £380,901 (2019: £879,673) the balance outstanding in respect of these transactions at 31 March 2020 was £52,841 (2019: £55,204) and is included in trade debtors.

24 Ultimate controlling party

The Board of Directors is considered to be the ultimate controlling party.

25 Cash (absorbed by)/generated from operations

	2020	2019
	£	£
Profit for the year after tax	811,721	1,113,768
Adjustments for:		
Taxation charged/(credited)	198,486	(1,347)
Finance costs	861	1,979
Investment income	(6,070)	(8,265)
(Gain)/loss on disposal of tangible fixed assets	(300)	40,089
Depreciation and impairment of tangible fixed assets	119,823	123,525
Increase in provisions	159,219	47,708
Movements in working capital:		
Increase in stocks	(1,652,599)	(49,454)
Increase in debtors	(1,860,713)	(1,579,115)
Increase in creditors	1,376,642	919,694
(Decrease)/increase in deferred income	(20,442)	21,221
Cash (absorbed by)/generated from operations	<u>(873,372)</u>	<u>629,803</u>

ALTERNATIVE HEAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

26 Analysis of changes in net funds

	1 April 2019	Cash flows 31 March 2020	
	£	£	£
Cash at bank and in hand	4,770,291	(1,163,268)	3,607,023
Bank overdrafts	-	(24)	(24)
	<u>4,770,291</u>	<u>(1,163,292)</u>	<u>3,606,999</u>
Borrowings excluding overdrafts	(36,696)	31,239	(5,457)
	<u>4,733,595</u>	<u>(1,132,053)</u>	<u>3,601,542</u>

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.